MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code:01999)

ANNUAL REPORT 2012

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Corporate Information

BOARD OF DIRECTORS

Mr. Wong Man Li *(Chairman and Managing Director)*
Ms. Hui Wai Hing
Mr. Stephen Allen Barr
Mr. Wang Guisheng (appointed on 25 May 2011)
Mr. Alan Marnie (appointed on 6 October 2011)
Mr. Li Jianhong (resigned on 6 October 2011)
Mr. Yu Tung Wan (resigned on 6 October 2011)
Mr. Francis Lee Fook Wah (resigned on 1 February 2012)
Mr. Ong Chor Wei
Mr. Chau Shing Yim, David
Mr. Lee Teck Leng, Robson
Ms. Chan Wah Man, Carman

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Law Kim Fai (appointed on 28 June 2011)
Mr. Yau Sze Yeung (resigned on 28 June 2011)

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) Ltd.
Canon's Court
22 Victoria Street
Hamilton 12
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 Limited
Unit 7706-08, Level 77,
International Commerce Centre,
1 Austin Road, West Kowloon, 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

LEGAL ADVISERS

Reed Smith Richards Butler
Appleby

PRINCIPAL BANKERS

Standard Chartered Bank
Hang Seng Bank
Hong Kong and Shanghai Banking Corporation Limited

STOCK CODE

1999

WEBSITE

www.manwahholdings.com

INVESTOR RELATIONS CONSULTANT

Kreab Gavin Anderson
1902-04 Kinwick Centre
32 Hollywood Road
Central
Hong Kong

Directors' Biographies

Executive Directors

Mr. Wong Man Li, aged 47, is our Chairman, Managing Director and our executive Director. Mr. Wong is also the Chairman of the Company's nomination committee and a member of the Company's remuneration committee. 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 19 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 director of Man Wah Investments Limited, the controlling shareholder of the Company.

Ms. Hui Wai Hing, aged 49, 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 business 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 19 years of experience in the furniture industry, over 17 years of which is management experience in our Group.

Mr. Stephen Allen Barr, aged 54, 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. Wang Guisheng, aged 42, 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.

Mr. Alan Marnie, aged 41, joined the Group in September 2010 as the executive vice president and chief executive officer of the United Kingdom trading division of the Group. Mr. Marnie is also currently a director of Man Wah (UK) Limited, a subsidiary of the Company. He is responsible in exploring the furniture market in United Kingdom, Europe, Africa, Asia and Oceania. Mr. Marnie has over 20 years of experience in the furniture industry in manufacturing, retail and marketing of furniture. Prior to joining the Group, he was employed by Homestyle Operations Limited ("Homestyle") as the managing director for Steinhoff Retail Furniture Division in the United Kingdom for 2 years from 2008 to 2010. Homestyle belongs to Steinhoff International Holding Ltd ("Steinhoff"), a company listed on the Johannesburg Stock Exchange, and is one of the largest furniture retailers in Europe. In addition, Mr. Marnie had also worked in Reid Furniture Limited, a company which was subsequently owned by Steinhoff, the largest furniture retailer of Scotland and Ireland at that time, for 19 years, and was its managing director and chief executive officer for 3 years and 2 years, respectively.

Independent non-executive Directors

Mr. Lee Teck Leng, Robson, aged 44, 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 a non-executive director of Sheng Siong Group Ltd, 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 43, is our independent non-executive Director and was appointed on 5 March 2010. Ms. Chan is a member of each of the Company's audit committee, nomination committee and remuneration committee. 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 18 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 Daqing Dairy Holdings Limited (formerly known as Global Dairy Holdings Limited) (stock code: 1007), a company listed on the Main Board of the Stock Exchange.

Directors' Biographies

Mr. Chau Shing Yim, David, aged 48, is our independent non-executive Director and was appointed on 5 March 2010. Mr. Chau is the Chairman of the Company's audit committee and a member of each of the Company's nomination committee and remuneration committee. 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 Ocean Grand Holdings Ltd (stock code: 1220), a non-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.

Mr. Ong Chor Wei, aged 42, is our independent non-executive Director redesignated on 31 May 2012 from being a non-executive Director appointed on 5 March 2010. Mr. Ong is also a member of the Company's audit committee. 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 an independent non-executive director of O-Net Communications (Group) Limited (stock code: 877), a company listed on the main board of the Stock Exchange. Mr. Ong was also a non-executive director of FM Holdings Limited, a company that was listed on the SGX-ST. 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.

Chairman's Statement

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 2012 ("FY2012").

Business Review

In 2011, despite of numerous disadvantages from the external economic environment, the Group managed to maintain a stable growth of sales in each major market.

For the overseas market, the Group had enhanced its cooperation with large retail customers, as well as explored new retail customers. Due to the European debt crisis, European customers considered more on price-performance products. In this situation, by fully taking advantage on its competitiveness of cost efficiency and Research and Development ("R&D"), the Group turned risks into opportunities, and kept itself growing in unfavorable market conditions. In the Imm Cologne (an International furniture show in Cologne) held in January 2012, the Group received orders of more than US$4 million. Furthermore, the Group received new export orders worth more than US$5.4 million on Dongguan International Furniture Exhibition held in March 2012. All above facts show that our products are well received by the overseas market. Currently, we provide our products to retailers from over 50 countries and regions. Recently, our export sales increased month by month. Particularly in March 2012, the export of the Group achieved record high in the number of shipping containers with 2,900 forty-foot equivalent unit ("FEU"). Orders from European and Asian countries had undergone more rapid growth.

As for Chinese market, the Group took market opportunities under the direction of control policies implemented by the Central Government over the property market and achieved a satisfactory growth. In expanding the sales network, the Group opened 82 new stores and as at 31 March 2012, a total of 742 retail stores were in operation in the PRC. In the internet area, we fully realized the importance of utilizing the new sales channel and we have officially opened the internet platform to sell sofa products since July 2011, which shows a growing trend so far.

As for internal operations, the Group was still under the large pressure of rising cost of raw material and labor. To tackle this problem, the Group continued to optimize internal operation efficiency and minimize the impact from the rise of external cost.

Prospects

In the coming year, our overseas market are having both challenges and opportunities. On the one hand, comparing with the US and European manufacturers, our products are highly competitive because of the lower cost, on the other hand, we are still facing the uncertainty of economic conditions. Recently, orders from overseas had been growing and we expect that the shipping volume in April 2012 and May 2012 will further improve following March 2012. In the new financial year, the Group will put more effort on customers service and constantly research and develop new products to meet the diversified requirements of customers. In response to changes in overseas market, the Group will introduce more kinds of fabric sofa to increase its market share. The Group intends to expand new customers by further exploring the European, African and Asian (other than PRC) markets which formerly have a low contribution to sales. Local sales teams will be gradually established as a strong support for the Group to take the market opportunities in different countries.

In the mainland market, considering the large number of government subsidized housing will be completed in the coming year, and being well aware of that famous brand furniture has rather low market share in most small-medium cities in mainland China, we have formally introduced new series of products focusing on fabrics sofa. Furthermore, new stores will be opened continually, especially in third and fourth tier cities where government subsidized housing are extensively being constructed. In addition, more resources will be invested in building the internet sales platform, including inventing more new products suitable for selling on the internet and expanding the existing internet sales channels.

In terms of production capacity expansion, the Group will complete the construction of new factory in Wujiang in June 2012, which will commence mass production in July 2012. The Group's production capacity will be increased to 1,116,000 sets from 816,000 sets at present.

Going forward, the Group will strive to pursuit more space to increase internal operation efficiency and reinforce its ability in responding to outside changes.

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 FY2012. 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 reclining sofa producers around the world.

Wong Man Li
Chairman
Man Wah Holdings Limited

Management Discussion and Analysis

In 2011, global economy experienced severe challenges. Slowdown in Chinese economy, European debt crisis and sluggish economy in America caused sustained uncertainties in global economy. In light of huge internal consumption potential reserved in mainland market, the Chinese government actively launched the policy of stimulating consumption in an aim to boost economy growth. During the "12th five-year plans", efforts were made on improving people's living standards through expanding internal demands and stimulating consumption.

CONTINUOUS AND STABLE DEVELOPMENT OF MAINLAND ECONOMY

In 2011, domestic economy maintained a stable development. Under the Macroeconomic Control implemented by central government, commodity prices was stabilized gradually. Last year, the GDP was RMB47,156.4 billion with a year-on-year growth of 9.2%. The inflation rate fell back quarter by quarter, which reflected that the government emphasized on the change of economy growth method and adjustment of economy structure. According to the economy conditions, the government put commodity price control at the first place in its Macroeconomic Control policy and conducted corresponding measures. 2011 was the tenth year that China has joined the WTO. Since joining the WTO, China's foreign trade drives Chinese market gradually opening up and makes China took a major step towards internationalization.

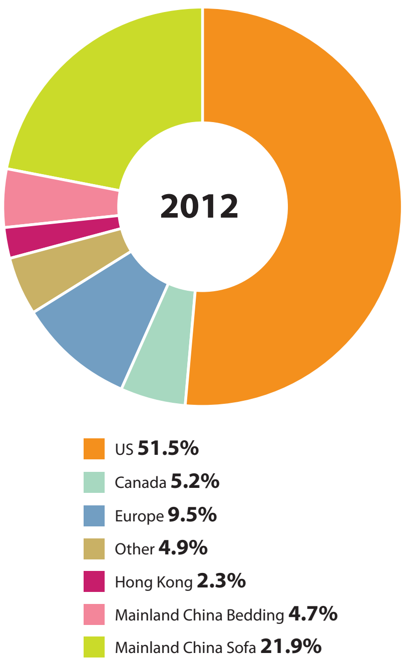
According to data published by National Bureau of Statistics of China, at the end of 2011, the urban population of mainland China was 690 million, representing an increase of 21 million as compared with the end of 2010 which accounts for 51.27% of the total population. In addition, the average income amounted to RMB21,033, representing an increase of 11.3% as compared with corresponding period last year. Urbanization and increase of average income are the main drivers of consumption. Aware of the government's plan to build about 4 million sets of government subsidized housing, the Company subsequently launched a series of lower end reclining sofa products, aiming to increase market share in Chinese market by providing high value products.

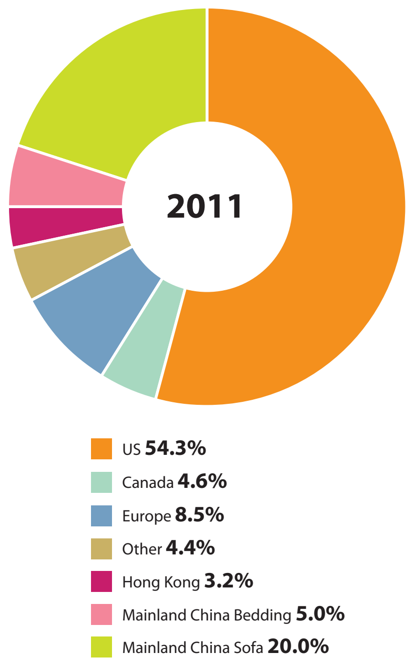
HUGE POTENTIAL IN THE OVERSEAS MARKET

As the American economy recovered step by step, especially on the area of employment and real estate, coupled with brightening prospects to European debt crisis, the export of China has turned to be in a better condition. According to a report published by National Association of Realtors, as at December 2011, sales of existing house in America have been rising consecutively for three months. In addition, new houses to be constructed increased by 3.4% to 607,000 on a year-on-year basis throughout last year, which demonstrates that American property market has picked up momentum gradually. Since the economy of Europe and America are still weak, consumers are beginning to purchase high quality products at competitive prices, which are the advantage of the Group's products. The Company believes that the low end of the market has huge potential and will become the new business growth for the Group.

Man Wah International Markets

Revenue by Geographical Segment





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

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

US & Europe

By the end of 2008, the United States of America ("US") government announced stimulus measures, which aimed at helping stabilize the housing market together with falling interest rates. These measures as well as other factors have begun to change the market. According to the National Association of Realtors in the US, existing housing sales increased by 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 was 6.3% below the 5.44 million in March 2010.

The National Association of Realtors expects that the housing market sales will continue to improve. Existing housing sales have risen in the past six months and it shows that the US property market is on a recovery path. With rising employment opportunities and people's purchasing power, the National Association of Realtors is projecting that the housing market will recover in 2012.

According to Euromonitor International ("Euromonitor")'s market survey report published in May 2012 ("Euromonitor report"), the total recliner sofa market volume in the year 2012 will be more than 8,349 million US dollars, represent a year-on-year growth of 4.8%. Man Wah's market share in US recliner sofa market was 8.5% in 2011, ranked number 4 out of top 10 US recliner sofa brands. In 2010, the market share for Cheers was 7.3%, ranked number 5.

In a list of 2011 American furniture manufacturers from a leading US furniture magazine "Furniture Today" published on 14 May 2012, the Company was ranked as the 10th largest furniture source in 2011 (calculated by total furniture shipments to the US).

PRC

The recliner sofa market in mainland China has increased rapidly in recent years. According to Euromonitor's market survey report, retail sale of reclining sofas in mainland China grew from US$262 million in 2007 to US$860 million in 2011, representing a compound annual growth rate ("CAGR") of 34.6%.

Based on Euromonitor's market survey report, Man Wah continues its leading position in mainland China reclining sofa market, and market shares rose from 19.8% in last year to 20.1% in 2011.

BUSINESS REVIEW

The Group achieved remarkable revenue growth in the year ended 31 March 2012 ("FY2012"). In FY2012, the Group continued to focus on manufacturing and selling furniture with reclining sofa as our primary products. We successfully maintained stable revenue growth in both overseas and mainland China markets.

Retail business

As at 31 March, 2012, we have a total of 742 "CHEERS" and "ENLANDA" retail stores in mainland China.

As at 31 March 2012, the Group owned 174 "CHEERS" and 75 "ENLANDA" self operated stores located in 22 cities in mainland China, including first tiers cities such as Shenzhen, Guangzhou and Shanghai, as well as 9 "CHEERS", "ENLANDA" and "MOREWELL" retail stores in Hong Kong.

As at 31 March 2012, distributors of the Group operated 331 "CHEERS" and 162 "ENLANDA" stores in second and third tier cities in mainland China, including Qingdao, Chongqing and Nanjing, with a coverage of over 28 provinces.

Internet sales business

In July 2011, the Group formally established the online sales business which is well-received by the market. Currently we are operating a flagship store in TMALL (a leading online sales platform in China) which is our major online sales channel. Since its operation, sales increased month by month, showing a great growth potential. As at 31 March 2012, the Group ranked number one on sales of single chair on TMALL web site. The accumulated volume of eye browse of the platform exceeded 3 million as the end of March 31, 2012. And the total sales have achieved more than HK$12 million.

Export business

Our products of "CHEERS" reclining sofa are directly exported to overseas retailers, including U.S., Europe, Africa and some other areas. In the overseas market, the Group regularly participates in furniture exhibitions held in major markets to promote new products. Meanwhile, we set up local teams to build a long term cooperation relationship with local retailers. During the FY2012, the Group has participated 8 exhibitions held in overseas, such as the exhibitions held in Las Vegas, High Point and Cologne.

In the U.S. market, we continued to cooperate with major furniture retailers and constantly improved our service, resulting in a stable growth in sales to the existing customers. Meanwhile, we further expanded our customer base. During the FY2012, we gained more than 35 retailers as our new customers.

In the European market, because of our newly established professional and efficient local team, we gradually extended cooperation with large furniture retailers in European countries. Recently, the Group's business in Europe has been growing rapidly even though the market is still under the European debt crisis. During the FY2012, sales from European market increased by 27.0% on a year-on-year basis, while the second half year-on-year growth was 43.6%. During the FY2012, we obtained 14 new export customers from Europe.

Except for North America and European markets, sales contributions from other overseas markets accounted for a relatively small portion, have also started to grow. For example, the growth rate of Asian market in this year reached up to 64.8%, representing a great development potential.

Product research and development

During the FY2012, our number of employees in product research, design and development team ("R&D team") has increased to nearly 200.

During the FY2012, the R&D team successfully developed more than 200 new sofa models, and more than half of them were produced and sold during the FY2012. Due to the significant increase of leather price in recent years, demand for fabric sofa is increasing. Therefore, the Group put great efforts on researching and developing relevant products and had developed a new series of products targeting at Chinese mainland market. The new series of products are expected to strongly support the expansion in Chinese market, especially in the market of lower tier cities.

FINANCIAL REVIEW

Revenue and gross profit margin breakdown by export and domestic sales

	Revenue (HK$'000)			As a percentage of sales (%)		Gross profit margin (%)	
	2012	2011	Change (%)	**2012**	2011	**2012**	2011
Sofa export sales	**3,083,994**	2,733,424	12.8%	**71.1%**	71.8%	**29.5%**	40.7%
Sofa mainland China sales	**951,653**	760,462	25.1%	**22.0%**	20.0%	**44.0%**	44.7%
Bedding mainland China sales	**202,492**	193,034	4.9%	**4.7%**	5.0%	**49.5%**	56.5%
HK retail & wholesale sales	**98,214**	121,290	-19.0%	**2.2%**	3.2%	**48.8%**	46.6%
Total	**4,336,353**	3,808,210	13.9%	**100.0%**	100.0%	**34.0%**	42.5%

During the FY2012, the total revenue of the Group increased by approximately 13.9% to approximately HK$4,336,353,000 (during the financial year ended 31 March 2011 ("FY2011"): approximately HK$3,808,210,000); whereas the gross profit margin was 34.0%, representing a significant decrease as compared with FY2011.

During the FY2012, cost of goods sold increased by approximately 30.6%. The leather price increased by approximately 17.8% during the whole year, and most of other material cost has significantly increased as well.

In order to cope with the pressure from increasing cost, the Group continued to enhance productivity and operation efficiency, as well as appropriately increasing selling price of products in accordance with market condition.

In the overseas market, the average unit price of sofa increased approximately 6.1% as compared with FY2011.

In the mainland China market, the average unit price of sofa increased by approximately 6.7% as compared with FY2011.

Man Wah International Markets

Revenue by Geographical Segment

Revenue Breakdown by region (HK$'000)

	Mainland China	US	Europe	Canada	HK	Others
FY2012	1,154,145	2,232,350	410,484	226,736	98,214	214,424
FY2011	953,496	2,068,581	323,118	173,894	121,290	167,831

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

	FY2012	FY2011	Change (%)
Sales volume (sets)	**537,275**	503,600	6.7%
Average Selling Price (HK$)	**7,196**	6,769	6.3%

Sales from the mainland China bedding sales was approximately HK$202,492,000 (FY2011: approximately HK$193,034,000), representing an increase of 4.9%.

Mainland China sofa sales (self-operated vs distributors)

	FY2012	FY2011
CHEERS stores	**505**	405
Comprising: Self-operated stores	**174**	121
Distributor-operated stores	**331**	284

Mainland China bedding sales (self-operated vs distributors)

	FY2012	FY2011
ENLANDA stores	**237**	255
Comprising: Self-operated stores	**75**	70
Distributor-operated stores	**162**	185

Revenue from CHEERS brand sofa products rose by approximately 13.4% to approximately HK$3,866,453,000, accounting for approximately 89.2% of the total revenue. The growth in revenue was mainly due to the increase in the sales volume by approximately 6.7% to 537,275 sets (FY2011: 503,600 sets) and the average selling price by approximately 6.3% to HK$7,196 per sofa set (FY2011: HK$6,769). The growth in average selling price was primarily as a result of increase in average selling price for the mainland China market by approximately 6.7% from approximately HK$12,200 to HK$13,022 per sofa set and average selling price in export market increased by approximately 6.1% from approximately HK$6,100 to HK$6,470 per sofa set.

Cost of goods sold

Cost of goods sold breakdown

	FY2012 HK$'000	FY2011 HK$'000	Change (%)
Cost of raw materials	**2,569,013**	1,982,919	29.6%
Labour Costs	**229,214**	172,313	33.0%
Manufacturing overhead	**63,198**	35,575	77.7%
Totals	**2,861,425**	2,190,807	30.6%

Main raw materials	Year-on-year percentage change for Average unit cost (%)	Percentage of total cost of sales (%)
Leather	17.8%	35.8%
Metal	1.0%	18.9%
PVC	15.1%	2.9%
Wood	-4.4%	8.1%
Fabric	-3.6%	6.9%
Chemicals	10.6%	10.6%

During the reporting period, the main raw materials increased significantly. Leather, the most important raw materials, increased by approximately 17.8%.

Other income

During the FY2012, other income of the Group increased by approximately 44.3% to approximately HK$65,400,000, mainly due to the increase of return on held-for-trading investments and industrial waste (FY2011: approximately HK$45,334,000).

Other gains and losses

During the FY2012, other gains and losses of the Group amounted to approximately HK$4,807,000, mainly attributable to the exchange gain (FY2011: approximately HK$38,231,000).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 14.3% from approximately HK$766,063,000 to approximately HK$875,458,000. The increase was mainly attributed to:

(a) transportation and port charges costs increased by approximately HK$13,713,000 to approximately HK$441,874,000, representing an increase of 3.2% as compared with last financial year, and lower than the growth ratio of export sales in FY2011 (growth ratio of export sales in FY2012: 12.8%). The main reason is the decrease of shipping rate during the FY2012.

(b) commissions and salaries related to sales increased by approximately HK$28,730,000 to approximately HK$106,373,000, the increase was in line with the revenue growth;

(c) rental, rates and property management fee increased by approximately HK$37,678,000 to approximately HK$157,530,000. The main reason of the increase was the expansion of PRC's retail network; and

(d) travelling expense increased by approximately HK$5,993,000 to approximately HK$12,048,000. The increase was mainly due to our entrance in some new overseas markets that caused relative high travelling expense in the initial stage and expansion of China's retail network.

General and administrative expenses

General and administrative expenses increased by approximately HK$74,817,000 or approximately 29.4% from approximately HK$254,352,000 to approximately HK$329,169,000. The increase was mainly attributed to:

(a) salaries, allowance and other staff costs increased by approximately HK$39,541,000 or approximately 46.2% to approximately HK$125,107,000 due to the increase in number of staff and staff salaries during the FY2012;

(b) during the FY2012, depreciation expenses increased by approximately HK$18,212,000 or approximately 48.7% to approximately HK$55,614,000; and

(c) other taxes increased by approximately HK$7,803,000, mainly due to the increase of land and factory building of phase three of Huizhou Daya Bay factory and Wujiang new factory.

Share of results of jointly controlled entities

Share of profit of jointly controlled entities of approximately HK$4,652,000 which all come from the profit from Home Expo (Hong Kong) Ltd (profit in FY2011: approximately HK$1,640,000).

Finance costs

In FY2012, Finance costs increased by approximately 420.1% to HK$7,693,000 from approximately HK$1,479,000 in FY2011. It was mainly due to the Group strategically increased Hong Kong dollar and U.S. dollar borrowings for the purpose of improving capital structure. Bank borrowings increased from HK$17,500,000 in last financial year to approximately HK$582,800,000 as at the end of the FY2012.

Income tax expense

Income tax expense decreased by approximately HK$24,119,000 or 40.6% from approximately HK$59,412,000 in FY2011 to approximately HK$35,293,000 in FY2012 which is mainly due to the decrease of operating profit.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company was approximately HK$303,345,000 in FY2012, a decrease of approximately HK$318,951,000 or 51.3% from approximately HK$622,296,000 in the corresponding period of last year. During the FY2012, net profit margin decreased from approximately 16.3% to approximately 7.0%, mainly due to the decrease of gross profit margin from 42.5% in FY2011 to 34.0% in the FY2012 and the increase of selling and distribution expenses, general and administrative expenses as percentage of total revenue from 26.8% in FY2011 to 27.8% in the FY2012.

Dividend

The Board declared a final dividend of HK 7.0 cents per share, together with an interim dividend of HK 6.0 cents per share, dividend declared was approximately 41.0% of profit attributable to owners of the Company for the FY2012.

Working capital

As at 31 March 2012, our bank balances and cash were approximately HK$1,190,072,000.

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 or to adjust capital structure, 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 2012, the Group's short-term bank borrowings amounted to HK$582,800,000, which were repayable within twelve months from 31 March 2012. All loans bore interest at variable rates.

The Group's primary source of operating funds are cash flow from operating activities and bank deposits. As at 31 March 2012, the Group's current ratio was 2.40 (31 March 2011: 5.81). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2012, the Group's gearing ratio was 18.3% (31 March 2011: 0.6%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

Impairment loss on inventory

For the FY2012, the Group provided impairment loss on inventory of approximately HK$1,511,000 (FY2011: approximately HK$1,104,000).

Impairment loss on trade receivables

As at 31 March 2012, the Group provided impairment loss on trade receivables of approximately HK$685,000 (FY2011: HK$477,000).

Pledge of assets

As at 31 March 2012, the Group had pledged bank deposit amounted HK$310,881,000 for bank borrowings.

Capital commitments and contingent liabilities

Save as disclosed in note 33 to the consolidated financial statements, the Group did not have any material capital commitment.

As at 31 March 2012, the Group did not have any contingent liabilities.

Foreign currency risks

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

Significant investments and acquisitions

Save as the incorporation of new companies as set out in note 38 to the consolidated financial statements, the Group did not have any significant investments or acquisitions or sales of subsidiaries during the FY2012. The Group continues to seek opportunities to acquire and work with international furniture retailers to accelerate the development of the Company.

Use of proceeds from the global offering

We have received gross proceeds from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") of approximately HK$1,681,773,000. With reference to the supplemental prospectus of the Company dated 29 March 2010, the proceeds will be used for, among other things, (i) establishing 25 furniture outlets in the PRC, (ii) establishing a production and distribution centre in northern China, (iii) construction of new production and distribution facility in Wujiang, Jiangsu, (iv) expansion of "CHEERS" and "ENLANDA" 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 31 March 2012, we have spent part of the proceeds on the above projects: (i) approximately HK$316,600,000 on construction of phase 3 in Daya Bay, Huizhou, (ii) approximately HK$326,000,000 on construction of new production and distribution facility in Wujiang, Jiangsu, (iii) approximately HK$108,100,000 on expansion of "CHEERS" and "ENLANDA" specialty stores, and (iv) approximately HK$149,700,000 on the promotion and brand building.

Human resources

As at 31 March 2012, the Group had 8,627 employees (FY2011: 6,271 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 FY2012, as before, the Group arranged for more than 100 management staff attend a Mini Master of Business Administration course held at Peking University.

As at 31 March 2012, the total staff cost for the Group amounted to approximately HK$460,832,000 (FY2011: approximately HK$333,873,000), of which approximately HK$23,780,000 (2011: HK$17,826,000) 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 2012 ("FY2012").

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") and which had applied during the FY2012.

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 FY2012, 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 five executive Directors and four 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 FY2012 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 FY2012, a total of eight Board meetings were held and the attendance records are as follows:

Board		Meetings attended/Eligible to attend
Executive Directors		
Mr. Wong Man Li *(Chairman)*		8/8
Ms. Hui Wai Hing		8/8
Mr. Stephen Allen Barr		6/8
Mr. Wang Guiseng	(appointed on 25 May 2011)	6/8
Mr. Alan Marnie	(appointed on 6 October 2011)	2/3
Mr. Li Jianhong	(resigned on 6 October 2011)	2/5
Mr. Yu Tung Wan	(resigned on 6 October 2011)	4/5
Non-executive Directors		
Mr. Francis Lee Fook Wah	(resigned on 1 February 2012)	4/8
Mr. Ong Chor Wei	(re-designated as independent non-executive director on 31 May 2012)	7/8
Independent Non-executive Directors		
Mr. Chau Shing Yim, David		8/8
Mr. Lee Teck Leng, Robson		4/8
Ms. Chan Wah Man, Carman		8/8

Access to information

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

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

Appointments and re-election of Directors

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

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

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

Chairman and Managing Director

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

Non-executive Director

The term of appointment of the Company's non-executive Director during the FY2012, Mr. Ong Chor Wei, was from 9 April 2010 for three years. Mr. Ong was subsequently re-designated as an independent non-executive Director on 31 May 2012.

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 with effect from 9 April 2010. 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 37 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 Audit Committee currently consists of all four INEDs 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 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.

During the FY2012, 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 2012 have been reviewed by the Audit Committee.

During the FY2012, three meetings of the Audit Committee were held and the Audit committee's primary responsibilities include overseeing the relationship with the Company's external auditor, review of financial information of the Group, and oversight of the Group's financial reporting system, internal control procedures and risk management. The Company has adopted a term of reference of the Audit Committee, which complies with the provisions of the Code. The terms of reference of the Audit Committee are available on the Company's website. The members of the Audit Committee during the FY2012 and their attendance were as follows:

Audit Committee	**Meetings attended/Eligible to attend**
Mr. Chau Shing Yim, David *(Chairman)*	3/3
Ms. Chan Wah Man, Carman	3/3
Mr. Lee Teck Leng, Robson	3/3
Mr. Ong Chor Wei	3/3

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 Nomination Committee currently consists of three INEDs, namely, Mr. Lee Teck Leng, Robson, Ms. Chan Wah Man, Carman and Mr. Chau Shing Yim, David, and one executive Director of the Company. The principal duties of the Nomination Committee include, among other things:

- 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.

During the FY2012, three meetings 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.

The members of the Nomination Committee during the FY2012 and their attendance were as follows:

Nomination Committee	**Meetings attended/Eligible to attend**
Mr. Wong Man Li *(Chairman)*	3/3
Mr. Lee Teck Leng, Robson	3/3
Ms. Chan Wah Man, Carman	3/3
Mr. Chau Shing Yim, David	3/3

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 Remuneration Committee currently consists of three INEDs, namely, Mr. Lee Teck Leng, Robson, Ms. Chan Wah Man, Carman and Mr. Chau Shing Yim, David, and an executive Director of the Company. 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.

During the FY2012, seven meetings of the Remuneration Committee were held. The work done by the Remuneration Committee during the FY2012 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 FY2012 are set out in note 10 to the consolidated financial statements and details of the share option scheme and share award scheme are set out in note 36 to the consolidated financial statements.

The members of the Remuneration Committee during the FY2012 and their attendance were as follows:

Remuneration Committee	**Meetings attended/Eligible to attend**
Mr. Lee Teck Leng, Robson *(Chairman)*	7/7
Mr. Wong Man Li	7/7
Ms. Chan Wah Man, Carman	7/7
Mr. Chau Shing Yim, David	7/7

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 FY2012, 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	2,500
Non-statutory audit services:	
Tax advisory services	563
Others	588
	3,651

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 2012 ("FY2012").

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 17, 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 FY2012 ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 39 of the annual report.

An interim dividend of approximately HK6.0 cents per Share amounting to HK$58,268,000 was paid to the shareholders of the Company ("Shareholders") during the FY2012. The directors of the Company recommend the payment of a final dividend of HK7.0 cents per Share to the Shareholders on the register of members on 27 July 2012, amounting to approximately HK$66,020,000, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

During the FY2012, the Group revalued all of its investment properties as at 31 March 2012. The net increase in fair value of investment properties, which has been credited directly to consolidated statement of comprehensive income, amounted to approximately HK$907,000.

Details of movements during the FY2012 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the FY2012 in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at the end of the FY2012 were as follows:

	2012 **HK$'000**	2011 HK$'000
Contributed surplus	**1,428,856**	1,548,105
Accumulated (loss) profits	**(282,501)**	(269,850)
	1,146,355	1,278,255

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 FY2012 and up to the date of this annual report were:

Executive Directors:
Mr. Wong Man Li
Ms. Hui Wai Hing
Mr. Stephen Allen Barr
Mr. Wang Guisheng (appointed on 25 May 2011)
Mr. Alan Marnie (appointed on 6 October 2011)
Mr. Li Jianhong (resigned on 6 October 2011)
Mr. Yu Tung Wan (resigned on 6 October 2011)

Non-executive Directors:
Mr. Francis Lee Fook Wah (resigned on 1 February 2012)
Mr. Ong Chor Wei (re-designated as independent non-executive director on 31 May 2012)

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

In accordance with bye-law 102 of the Company's bye-laws, Mr. Alan Marnie will retire at the forthcoming annual general meeting. In accordance with bye-law 99 of the Company's bye-laws, Mr. Wong Man Li, Ms. Hui Wai Hing, Ms. Chan Wah Man Carman and Mr. Chau Shing Yim David will retire by rotation. Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Alan Marnie, Ms. Chan Wah Man Carman and Mr. Chau Shing Yim David, all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held in July 2012.

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 2012, 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[1]
Name of director	**Beneficial owner**	**Corporate interest**	**Total interests**	
Mr. Wong Man Li	–	601,967,200	601,967,200[2]	63.52%
Mr. Stephen Allen Barr	6,046,000	–	6,046,000[3]	0.64%
Mr. Wang Guisheng	446,000	–	446,000[4]	0.02%
Mr. Alan Marnie	300,000	–	300,000[5]	0.03%

Notes:

1. The percentage of the Company's issued share capital is based on the 947,741,600 Shares issued as at 31 March 2012.

2. These 601,967,200 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, and Mr. Wong is therefore deemed to be interested in the entire 601,967,200 Shares held by Man Wah Investments Limited. Mr. Wong is also the sole director of Man Wah Investments Limited.

3. This figure represents the aggregate number of 1,406,000 Shares held by Mr. Barr and 4,640,000 Share Options granted to Mr. Barr under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Barr will acquire an aggregate of 6,046,000 Shares.

4. This figure represents the aggregate number of the 416,000 Share Options granted to Mr. Wang under the Share Option Scheme and 30,000 Shares awarded to Mr. Wang on 15 June 2011 to be vested on 15 June 2014. Upon exercise of the Share Options and when the Shares awarded are vested, Mr. Wang will acquire an aggregate of 446,000 Shares.

5. This figure represents the 300,000 Share Options granted to Mr. Marnie under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Marnie will acquire 300,000 Shares.

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	Percentage in the associated corporation
Mr. Wong Man Li	Man Wah Investments Limited	Beneficial owner	800	80%
Ms. Hui Wai Hing	Man Wah Investments Limited	Beneficial owner	200	20%

Save as disclosed above, as at 31 March 2012, none of the Company's Directors, chief executives nor their associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives during the year ended 31 March 2012.

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 2012, 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	Approximate percentage of the issued share capital of the Company[1]
Man Wah Investments Limited	Beneficial	601,967,200	63.52%
The Capital Group Companies, Inc.	Interests in controlled corporations[2]	49,765,200	5.25%

Notes:

1. The percentage of the Company's issued share capital is based on the 947,741,600 Shares issued as at 31 March 2012.

2. As at 31 March 2012, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, The Capital Group Companies, Inc. has 100% control over Capital Group International Inc., an entity which is deemed by the SFO to be interested in 49,765,200 Shares in aggregate that are directly held by the 4 entities 100% controlled by it, namely, Capital International S.A.R.L. (520,400 Shares), Capital International Limited (5,304,200 Shares), Capital International, Inc (41,551,800 Shares) and Capital Guardian Trust Company (2,388,800 Shares).

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 2012 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 10.23% 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 10.23% 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.

As at the date of 31 March 2012, since the adoption of the Share Option Scheme, the total number of Share Options the Company granted to the employees and some of the Directors and their connected persons amounted to 16,389,600 Share Options (including the 667,200 Share Options lapsed due to the resignation of persons who are not Directors). As at the date of this report, the number of Share Options that could still be granted under the Share Option Scheme was 80,786,400 representing 8.57% of the 943,147,200 Shares in issue as at 31 May 2012, being the date of this report.

SHARE OPTIONS

On 5 March 2010, the share option scheme ("Share Option Scheme") which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the Shareholders. Details of movements in the share options under the Scheme ("Share Options") during the FY2012 were as follows:

					Number of share options[1]				
Grantee	Date of grant[2]	Vesting period	Exercisable period[3]	Exercise price per share HK$	Outstanding at 1.4.2011	Granted during the FY2012	Cancelled/ Lapsed during the FY2012	Exercised during the FY2012	Outstanding at 31.3.2012
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
	30.6.2011	30.6.2011 – 29.6.2013	30.6.2013 – 29.6.2015	8.11	–	240,000	–	–	240,000
	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	300,000	–	–	300,000
Mr. Wang Guisheng	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	200,000	–	–	200,000
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	–	54,000	–	–	54,000
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	–	54,000	–	–	54,000
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	–	54,000	–	–	54,000
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	–	54,000	–	–	54,000
Mr. Alan Marnie	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	300,000	–	–	300,000
Other employees	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	–	3,700,000	(490,000)	–	3,210,000
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	–	1,849,200	(44,800)	–	1,804,400
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	–	1,849,200	(44,800)	–	1,804,400
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	–	1,849,200	(44,800)	–	1,804,400
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	–	1,786,000	(42,800)	–	1,743,200
					4,100,000	12,289,600	(667,200)	–	15,722,400
Exercisable at end of the FY2012									–

Notes:

1. Number of shares in the Company over which options granted under the Share Option Scheme are exercisable.

2. The closing price of the Share immediately before the date on which the Share Options were granted on (i) 18 October 2010, i.e. on 15 October 2010 was HK$10.00, (ii) 30 June 2011, i.e. on 29 June 2011 was HK$8.01, (iii) 6 July 2011, i.e. on 5 July 2011 was HK$8.43, and (iv) 8 February 2012, i.e. on 7 February 2012 was HK$4.20.

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 2012 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[1] HK$	As at 1.4.2011	Granted during the FY2012	Cancelled/lapsed during the FY2012	As at 31.3.2012
Employees	11 February 2011	12.34	350,800	–	(70,200)	**280,600**
Mr. Wang Guisheng	15 June 2011	8.60	–	30,000	–	**30,000**
Mr. Li Jianhong[2]	15 June 2011	8.60	–	32,000	(32,000)	**–**
Mr. Yu Tung Wan[3]	15 June 2011	8.60	–	22,000	(22,000)	**–**
			350,800	84,000	(124,200)	**310,600**

Notes:

1. The fair value of the awarded Shares was calculated based on the closing price per Share on the date of grant.

2. Mr. Li Jianhong resigned as an executive director of the Company on 6 October 2011, and the 32,000 Shares awarded will not vest.

3. Mr. Yu Tung Wan resigned as an executive director of the Company on 6 October 2011, and the 22,000 Shares awarded will not vest.

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 FY2012, 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 30 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 FY2012, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for around 27.8% and 34.8% of the total revenue and purchases for the year, respectively. The Group's largest supplier accounted for around 11.1% of the total purchase 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 FY2012 did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFITS SCHEMES

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

DONATIONS

During the FY2012, the Group made charitable and other donations amounting to approximately HK$655,000.

EVENT AFTER THE REPORTING PERIOD

The Group entered into an agreement in May 2012 with the Tianjin municipal government for the acquisition of phase 1 of the land located in Tianjin as stated in note 19 for a consideration of RMB65,400,000 (equivalent to approximately HK$80,681,000). Full settlement was made subsequent to the signing of the agreement in May 2012.

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

During the FY2012, the Company repurchased a total of 27,988,400 ordinary shares of the Company at an aggregate purchase price of HK$130,507,344 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
November 2011	2,882,400	4.90	4.37	13,657,196
December 2011	18,511,600	4.79	4.27	84,216,576
January 2012	2,000,000	4.68	4.53	9,169,748
February 2012	4,594,400	5.71	4.81	23,463,824
Total	27,988,400			130,507,344
			Total expenses on shares repurchased	542,927
			Total	131,050,271

Out of the 27,988,400 repurchased ordinary shares, 23,394,000 repurchased ordinary shares were cancelled during the year, and the remaining 4,594,400 repurchased ordinary shares were cancelled subsequent to the year end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the FY2012.

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 31 to 33 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
31 May 2012

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 39 to 105, which comprise the consolidated statement of financial position as at 31 March 2012, and 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.

Independent Auditor's Report

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 2012, 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
31 May 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	5	**4,336,353**	3,808,210
Cost of goods sold		**(2,861,425)**	(2,190,807)
Gross profit		**1,474,928**	1,617,403
Other income		**65,400**	45,334
Other gains and losses	6	**4,807**	38,231
Selling and distribution expenses		**(875,458)**	(766,063)
Administrative expenses		**(329,169)**	(254,352)
Share of profit of jointly controlled entities		**4,652**	1,640
Finance costs	7	**(7,693)**	(1,479)
Profit before income tax		**337,467**	680,714
Income tax expense	8	**(35,293)**	(59,412)
Profit for the year	9	**302,174**	621,302
Other comprehensive income			
Exchange differences arising on translation		**64,995**	57,713
Total comprehensive income for the year		**367,169**	679,015
Profit for the year attributable to:			
Owners of the Company		**303,345**	622,296
Non-controlling interests		**(1,171)**	(994)
		302,174	621,302
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**367,520**	680,009
Non-controlling interests		**(351)**	(994)
		367,169	679,015
Earnings per share	11		
Basic (HK cents)		**31.47**	64.46
Diluted (HK cents)		**31.46**	64.45

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,371,095**	877,001
Investment properties	14	**29,974**	28,547
Lease premium for land	15	**362,570**	98,802
Intangible assets	16	**1,293**	1,465
Interests in jointly controlled entities	17	**4,847**	195
Loan to a jointly controlled entity	17	**–**	4,995
Deferred tax assets	18	**453**	453
Deposit paid for an equity investment		**3,701**	–
Refundable earnest money paid for lease premium for land	19	**13,247**	23,669
Deposits paid for acquisition of property, plant and equipment		**20,062**	15,737
Deposit paid for acquisition of a land lease	19	**11,281**	–
		1,818,523	1,050,864
Current assets			
Inventories	20	**545,902**	395,017
Trade receivables	21	**390,714**	331,844
Other receivables and prepayments	21	**206,946**	130,843
Amount due from a non-controlling interest	22	**–**	1,109
Lease premium for land	15	**7,619**	2,206
Derivative financial instruments	23	**–**	1,997
Tax recoverable		**12,604**	–
Pledged bank deposits	24	**310,881**	–
Bank balances and cash	24	**1,190,072**	1,611,164
		2,664,738	2,474,180
Current liabilities			
Trade payables	25	**294,759**	221,475
Other payables and accruals	25	**225,196**	176,742
Tax payable		**6,029**	9,231
Derivative financial instruments	23	**–**	692
Bank borrowings	26	**582,800**	17,500
		1,108,784	425,640
Net current assets		**1,555,954**	2,048,540
Total assets less current liabilities		**3,374,477**	3,099,404
Non-current liabilities			
Deferred tax liabilities	18	**4,669**	4,669
Government grant receipt in advance	25	**180,890**	–
		185,559	4,669
		3,188,918	3,094,735

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Capital and reserves			
Share capital	27	**379,097**	388,454
Reserves		**2,779,372**	2,706,153
Equity attributable to owners of the Company		**3,158,469**	3,094,607
Non-controlling interests		**30,449**	128
		3,188,918	3,094,735

The consolidated financial statements on pages 39 to 105 were approved and authorised for issue by the Board of Directors on 31 May 2012 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 2012

	Attributable to owners of the Company													
	Share capital HK$'000	Treasury shares HK$'000 (note iv)	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	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	289,526	–	14,753	(16,132)	(3,714)	27,393	29,042	–	–	–	809,764	1,150,632	–	1,150,632
Profit (loss) 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 12)	–	–	–	–	–	–	–	–	–	–	(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
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	303,345	303,345	(1,171)	302,174
Other comprehensive income for the year	–	–	–	–	–	–	64,175	–	–	–	–	64,175	820	64,995
Total comprehensive income (expense) for the year	–	–	–	–	–	–	64,175	–	–	–	303,345	367,520	(351)	367,169
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	30,442	30,442
Acquisition of additional interest in a subsidiary	–	–	–	–	(230)	–	–	–	–	–	–	(230)	230	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	1,491	10,104	–	11,595	–	11,595
Transfer to PRC statutory reserves	–	–	–	–	–	10,410	–	–	–	–	(10,410)	–	–	–
Repurchase of shares	(9,357)	(1,838)	(119,312)	–	–	–	–	–	–	–	–	(130,507)	–	(130,507)
Dividend paid (note 12)	–	–	–	–	–	–	–	–	–	–	(184,516)	(184,516)	–	(184,516)
At 31 March 2012	379,097	(1,838)	1,406,751	(16,132)	(3,944)	63,212	150,930	(6,476)	1,735	13,846	1,171,288	3,158,469	30,449	3,188,918

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

Notes:

(i) Special reserve arose from the acquisition of equity interest of certain subsidiaries through a corporate reorganisation. It represents the difference between the nominal value of share capital of those subsidiaries at 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 equity interest of subsidiaries. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Company.

(iii) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the mainland of 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.

(iv) Treasury shares represent the Company's ordinary shares repurchased prior to 31 March 2012 but not yet cancelled. During the year ended 31 March 2012, 27,988,400 ordinary shares of HK$0.40 each of the Company were repurchased at prices ranging from HK$4.27 to HK$5.71 per share. On 9 February 2012, 23,394,000 shares were cancelled. The remaining 4,594,400 shares were recognised as treasury shares at the end of the reporting period and were cancelled on 20 April 2012 subsequently.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**337,467**	680,714
Adjustments for:		
Amortisation of intangible assets	**221**	213
Depreciation	**87,857**	55,525
Equity-settled share-based payments expense	**10,104**	3,742
Expense recognised in respect of share award scheme	**1,491**	244
Fair value gain on investment properties	**(907)**	(5,019)
Finance costs	**7,693**	1,479
Impairment loss on amount due from a non-controlling interest	**1,012**	–
Impairment loss on other receivables	**297**	–
Impairment loss on inventories	**1,511**	1,104
Impairment loss on trade receivables	**685**	477
Interest income	**(9,837)**	(12,190)
Return on held-for-trading investments	**(34,032)**	(18,939)
Loss on disposal of property, plant and equipment	**931**	952
Release of lease premium for land	**2,227**	2,171
Share of profit of jointly controlled entities	**(4,652)**	(1,640)
Operating cash flows before movements in working capital	**402,068**	708,833
Increase in inventories	**(147,115)**	(75,949)
Increase in trade receivables	**(57,495)**	(133,090)
Increase in other receivables and prepayments	**(73,181)**	(29,059)
Decrease in derivative financial instruments	**1,305**	12,422
Increase in trade payables	**75,849**	56,608
Increase (decrease) in other payables and accruals	**52,045**	(6,824)
Cash generated from operations	**253,476**	532,941
Interest paid	**(7,693)**	(1,479)
Interest received	**9,837**	12,190
Income tax paid	**(51,958)**	(60,815)
NET CASH FROM OPERATING ACTIVITIES	**203,662**	482,837
INVESTING ACTIVITIES		
Investment on held-for-trading investments	**(7,540,087)**	(4,504,000)
Purchase of property, plant and equipment	**(536,038)**	(386,384)
(Placement) withdrawal in pledged bank deposits	**(310,881)**	3,531
Payment of lease premium for land	**(268,058)**	–
Deposits paid for acquisition of property, plant and equipment	**(20,062)**	(15,737)
Deposit paid for an equity investment	**(3,701)**	–
Proceeds on disposal of held-for-trading investments	**7,574,119**	4,522,939
Government grant received	**180,890**	14,246
Proceeds from disposal of property, plant and equipment	**5,415**	4,581
Repayment from a jointly controlled entity	**4,995**	–
Refundable earnest money paid for lease premium for land	**–**	(23,669)
Loan to a non-controlling interest shareholder	**–**	(1,109)
Return on investment in a jointly controlled entity	**–**	1,600
NET CASH USED IN INVESTING ACTIVITIES	**(913,408)**	(384,002)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**580,300**	–
Capital contribution by a non-controlling interest	**30,442**	1,122
Dividends paid	**(184,516)**	(343,782)
Repurchase of shares	**(130,507)**	–
Repayment of bank borrowings	**(15,000)**	(129,700)
Purchase of shares under share award scheme	**–**	(6,476)
Gross proceeds from issue of shares	**–**	1,681,773
Transaction costs attributable to issue of shares	**–**	(71,535)
NET CASH FROM FINANCING ACTIVITIES	**280,719**	1,131,402
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(429,027)**	1,230,237
CASH AND CASH EQUIVALENTS AT 1 APRIL	**1,611,164**	375,460
Effect of foreign exchange rate changes	**7,935**	5,467
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	**1,190,072**	1,611,164

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

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 17 respectively.

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

The functional currency of the Company is United States dollars. The consolidated financial statements of the Company are presented in Hong Kong dollars for the convenience of the shareholders as the Company is listed in Hong Kong.

2. 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.

In the current year, the Group has applied the following new and revised IFRSs issued by the IASB.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[2]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 7 and IFRS 9	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future, if any.

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The directors anticipate that the adoption of IFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 April 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 but is not yet in a position to state whether they would have a significant impact on its results of performance and financial position.

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

Amendments to IAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 April 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in immaterial adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale.

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.

3. 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 Stock Exchange of Hong Kong Limited 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.

The principal accounting policies are set out below.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of consolidation – Continued

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.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expenses of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this result in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are recognised up to the date of changes in shareholding and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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's 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

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, 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 on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently, in addition, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

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 financial asset's 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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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. Equity instruments issued by the Group are recognised 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.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums to discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments – Continued

Financial liabilities and equity instruments – Continued

Financial liabilities

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

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

3. 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Leasing – 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 unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. 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 cost method.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position 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.

3. 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Intangible assets – Continued

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.

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) 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 income 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

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 recognised as an expense when employees have rendered service entitling them to the contributions.

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 difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

Taxation – Continued

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.

Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 recognised 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 under the heading of translation reserve. (attributed to non-controlling interest as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

Estimated impairment of trade receivables

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 2012, the carrying amount of trade receivable is HK$390,714,000 (2011: carrying amount of HK$331,844,000, net of allowance for doubtful debts of HK$1,106,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

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 2012, the carrying amount of inventories is HK$545,902,000 and net of allowance for inventories of HK$1,511,000 (2011: carrying amount of HK$395,017,000 and net of allowance for inventories of HK$1,104,000).

Recognition of deferred taxation

At 31 March 2012, the Group provided for deferred tax liabilities of approximately HK$2,976,000 (2011: HK$2,976,000) in relation to the earnings expected to be distributed from the subsidiaries. Deferred tax liabilities have not been provided on the distributable profits of those subsidiaries that the Group plans to retain in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected, material tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are declared or the future development plan of the Group vanished, whichever is earlier.

No deferred tax assets have been recognised in respect of the remaining unused tax losses of approximately HK$170,738,000 (2011: HK$105,105,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

5. 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 sofa business focused on the location of customers. Furthermore, information for bedding products is reported separately to the Company's executive directors for the purposes of allocating resources to the segments and assessing the performance of the segment. The Group's operating and reportable segments, based on the information reported to the Company's executive directors, for the purposes of resource allocation and performance assessment are as follows:

Sofa (export sales)	– manufacture and sale of sofa for customers located outside Mainland China
Sofa (retail and wholesale in Mainland China)	– manufacture and distribution of sofa in Mainland China 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 Mainland China

5. REVENUE AND SEGMENT INFORMATION – Continued

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profits before income tax earned by each segment without allocation of interest income, finance costs, rental income, net exchange gain/loss, central administrative costs and director's salaries, fair value gain on investment properties, share of profit of jointly controlled entities and (loss) 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.

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

For the year ended 31 March 2012

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in Mainland China) HK$'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	3,083,994	951,653	98,214	202,492	4,336,353	–	4,336,353
Inter-segment sales	267,977	46,728	–	9,263	323,968	(323,968)	–
	3,351,971	998,381	98,214	211,755	4,660,321	(323,968)	4,336,353
RESULTS							
Segment results	304,165	79,962	(291)	8,450	392,286	(26,342)	365,944
Interest income							9,837
Return on held-for-trading investments							34,032
Rental income							2,892
Exchange gain – net							6,842
Fair value gain on investment properties							907
Loss on derivative financial instruments							(17)
Finance costs							(7,693)
Central administrative costs and directors' remunerations							(79,929)
Share of profit of jointly controlled entities							4,652
Profit before income tax							337,467

5. REVENUE AND SEGMENT INFORMATION – Continued

For the year ended 31 March 2011

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in Mainland China) HK$'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							12,190
Return on held-for-trading investments							18,939
Rental income							2,777
Exchange gain – net							30,221
Fair value gain on investment properties							5,019
Gain on derivative financial instruments							4,420
Finance costs							(1,479)
Central administrative costs and directors' remunerations							(76,159)
Share of profit of jointly controlled entities							1,640
Profit before income tax							680,714

Inter-segment sales are charged at prevailing market price.

5. REVENUE AND SEGMENT INFORMATION – Continued

Other information:

	Sofa (export sales) HK$'000	Sofa (retail and wholesale in Mainland China) HK$'000	Sofa (retail and wholesale in Hong Kong) HK$'000	Bedding products HK$'000	Consolidated and segment total HK$'000
Amounts included in the measure of segment profit:					
For the year ended 31 March 2012					
Loss on disposal of property, plant and equipment	**297**	**237**	**52**	**345**	**931**
Depreciation and amortisation	**50,105**	**27,979**	**2,865**	**7,129**	**88,078**
Release of lease premium for land	**2,227**	**–**	**–**	**–**	**2,227**
Impairment loss on trade receivables	**685**	**–**	**–**	**–**	**685**
Impairment loss on amount due from a non-controlling interest	**1,012**	**–**	**–**	**–**	**1,012**
Impairment loss on other receivables	**297**	**–**	**–**	**–**	**297**
Impairment loss an inventories	**–**	**–**	**–**	**1,511**	**1,511**
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	1,104

5. REVENUE AND SEGMENT INFORMATION – Continued

Geographical information:

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

	2012 HK$'000	2011 HK$'000
United States of America ("U.S.")	**2,232,350**	2,068,581
Canada	**226,736**	173,894
PRC (including Hong Kong)	**1,252,359**	1,074,786
Europe (note)	**410,484**	323,118
Others (note)	**214,424**	167,831
	4,336,353	3,808,210

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 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 (2011: none). The top five customers contributed around 28% (2011: 25%) of revenue of the Group for the year ended 31 March 2012.

Revenue from major products:

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

6. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
(Loss) gain on derivative financial instruments	**(17)**	4,420
Exchange gain – net	**6,842**	30,221
Fair value gain on investment properties	**907**	5,019
Loss on disposal of property, plant and equipment	**(931)**	(952)
Impairment loss on trade receivables	**(685)**	(477)
Impairment loss on amount due from a non-controlling interest	**(1,012)**	–
Impairment loss on other receivables	**(297)**	–
	4,807	38,231

7. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Trust receipt loans	–	2
Bank borrowings wholly repayable within five years	7,693	1,477
	7,693	1,479

8. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong	–	1,326
PRC Enterprise Income Tax	30,381	55,166
U.S.	1,878	3,030
	32,259	59,522
Under(over)provision in prior years:		
Hong Kong	9	(544)
PRC Enterprise Income Tax	2,098	21
U.S.	927	430
	3,034	(93)
Deferred tax (note 18):		
Current year	–	(17)
	35,293	59,412

No provision for Hong Kong Profits Tax has been made in 2012 as the Group had no assessable profits arising in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year of 2011.

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.

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.

8. INCOME TAX EXPENSE – Continued

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

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..

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

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

	2012 **HK$'000**	2011 HK$'000
Profit before income tax	**337,467**	680,714
Tax at the Hong Kong Profits Tax rate (note a)	**55,683**	112,318
Tax effect of expenses not deductible in determining taxable profit	**13,753**	7,154
Tax effect of income not taxable in determining taxable profit	**(1,810)**	(2,148)
Under(over) provision in prior years	**3,034**	(93)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**7,003**	8,391
Tax effect of tax losses not recognised	**10,830**	10,519
Tax effect of share of results of jointly controlled entities	**(768)**	(271)
Tax effect of profit of subsidiaries under concessionary rate (note b)	**(1,746)**	(7,893)
Tax effect of profit of a subsidiary under tax exemption in Macau	**(50,686)**	(68,565)
Tax charge for the year	**35,293**	59,412

Notes:

(a) Hong Kong Profits Tax rate is the applicable tax rate of the Group as the Group has profits subject to Hong Kong Profits 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 (as defined in note 38) is exempted from the PRC enterprise income tax for two years starting from its 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 was 2007. Man Wah Huizhou has ended the concessionary rate on 31 December 2011.

9. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**23,780**	17,826
Other staff costs		
Salaries and other allowances, including share option expense	**422,283**	307,032
Retirement benefit scheme contributions, excluding those of directors	**13,478**	8,771
Share award scheme expense	**1,291**	244
Total staff costs	**460,832**	333,873
Auditor's remuneration	**2,500**	3,568
Release of lease premium for land	**2,227**	2,171
Amortisation of intangible assets (recognised in selling and distribution expenses)	**221**	213
Depreciation	**87,857**	55,525
Cost of inventories recognised as an expense	**2,851,334**	2,183,253
Impairment loss on inventories (recognised in cost of goods sold)	**1,511**	1,104
Reversal of impairment loss on interest in a jointly controlled entity (note)	**–**	(1,600)
Research and development expenditure (recognised in cost of goods sold)	**8,580**	6,450
Listing expenses	**–**	6,475
Interest income	**(9,837)**	(12,190)
Return on held-for-trading investments	**(34,032)**	(18,939)
Rental income from investment properties	**(2,892)**	(2,777)
Impairment loss on trade receivables	**685**	477
Impairment loss on amount due from non-controlling interest	**1,012**	–
Impairment loss on other receivables	**297**	–

Note: A jointly controlled entity of the Group, Huizhou Ao Li Electronic Technology Co., Ltd. ("Huizhou Ao Li"), was undergoing the deregistration procedure during the year ended 31 March 2011. The interest in the jointly controlled entity had been fully impaired in prior year. During the year ended 31 March 2011, 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. The deregistration was completed in May 2011.

10. 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 2012					
Mr. Wong Man Li	–	1,199	–	12	1,211
Ms. Hui Wai Hing	–	960	–	12	972
Mr. Li Jianhong (note i)	–	783	56	8	847
Mr. Stephen Allen Barr	–	4,575	8,895	–	13,470
Mr. Yu Tung Wan (note i)	–	452	43	–	495
Mr. Wang Guisheng (note ii)	–	1,736	277	9	2,022
Mr. Alan Marine (note iii)	–	2,584	66	–	2,650
Mr. Francis Lee Fook Wah (note iv)	250	863	–	–	1,113
Mr. Ong Chor Wei	250	–	–	–	250
Mr. Lee Teck Leng Robson	250	–	–	–	250
Ms. Chan Wah Man Carman	250	–	–	–	250
Mr. Chau Shing Yim David	250	–	–	–	250
	1,250	13,152	9,337	41	23,780
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	–	5,840	3,742	–	9,582
Mr. Yu Tung Wan	–	1,345	–	–	1,345
Mr. Francis Lee Fook Wah (note iv)	33	2,145	–	10	2,188
Mr. Ong Chor Wei	200	–	–	–	200
Mr. Lee Teck Leng Robson	200	–	–	–	200
Ms. Chan Wah Man Carman	200	–	–	–	200
Mr. Chau Shing Yim David	200	–	–	–	200
	833	13,205	3,742	46	17,826

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – Continued

Note:

(i) Resigned as executive directors of the Company on 6 October 2011.

(ii) Appointed as an executive director of the Company on 25 May 2011.

(iii) Appointed as an executive director of the Company on 6 October 2011.

(iv) 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. He resigned as a non-executive director of the Company on 1 February 2012.

Of the five individuals with the highest emoluments in the Group, four (2011: five) were directors of the Company. The remuneration of the remaining one individual for the year ended 31 March 2012 is as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other allowances	**1,728**	–

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 (2011: nil). None of the directors waived any emoluments during the year (2011: none).

11. EARNINGS PER SHARE

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

	2012 **HK$'000**	2011 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**303,345**	622,296

11. EARNINGS PER SHARE – Continued

	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	**963,792**	965,429
Effect of dilutive potential ordinary shares – Unvested awarded shares	**344**	58
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**964,136**	965,487

The weighted average number of shares for the years ended 31 March 2012 and 2011 have been arrived at after eliminating the shares of the Company held under the share award scheme as detailed in note 36.

The computation of diluted earnings per share for the years ended 31 March 2012 and 2011 does not assume the exercise of the Company's outstanding share options because the exercise price of these options was higher than the average market price of shares for the year.

12. DIVIDENDS

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

	2012 HK$'000	2011 HK$'000
Final dividend for 2011 of HK$0.13 (2011: HK$0.16 for 2010) per share	**126,248**	155,382
Special dividend for 2010 of HK$0.06 per share	**–**	58,268
Interim dividend for 2012 of HK$0.06 (2011: HK$0.134 for 2011) per share	**58,268**	130,132
	184,516	343,782

A final dividend of HK 7.0 cents per share in respect of the year ended 31 March 2012, amounting to approximately HK$66,020,000 has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	Buildings in the PRC HK$'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 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
Exchange adjustments	–	14,981	5,249	5,266	2,722	684	12,084	40,986
Additions	22,260	24,059	29,172	70,717	24,888	5,955	374,724	551,775
Transfers	–	173,040	48,466	7,964	1,873	–	(231,343)	–
Disposals/written off	–	–	(4,531)	(2,013)	(2,527)	(4,768)	–	(13,839)
At 31 March 2012	22,260	578,330	180,491	277,540	91,177	25,909	427,214	1,602,921
ACCUMULATED DEPRECIATION								
At 1 April 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
Exchange adjustments	–	878	1,602	939	774	270	–	4,463
Provided for the year	367	12,359	36,352	18,042	15,440	5,297	–	87,857
Eliminated on disposals/ written off	–	–	(873)	(1,110)	(1,878)	(3,631)	–	(7,492)
At 31 March 2012	367	39,022	75,354	74,846	30,662	11,575	–	231,826
CARRYING VALUES								
At 31 March 2012	21,893	539,308	105,137	202,694	60,515	14,334	427,214	1,371,095
At 31 March 2011	–	340,465	63,862	138,631	47,895	14,399	271,749	877,001

Note: The amount represents government grant received by the Group in relation to its capital investment in the year of 2011.

13. PROPERTY, PLANT AND EQUIPMENT – Continued

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

Leasehold land and 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 leasehold land is situated in Hong Kong with medium-term lease.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2010	22,914
Exchange adjustments	614
Fair value gain	5,019
At 31 March 2011	28,547
Exchange adjustments	520
Fair value gain	907
At 31 March 2012	29,974

The investment properties were stated at fair value as at 31 March 2012 and 31 March 2011 based on the professional valuation carried out by Cushman & Wakefield Valuation Advisory Services (HK) Limited and Greater China Appraisal Limited respectively. 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 Cushman & Wakefield Valuation Advisory Services (HK) Limited and Greater China Appraisal 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:

	2012 **HK$'000**	2011 HK$'000
Properties in Hong Kong under:		
– medium-term lease	**14,800**	14,500
Properties in the PRC under medium-term lease	**15,174**	14,047
	29,974	28,547

15. LEASE PREMIUM FOR LAND

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

	2012 **HK$'000**	2011 HK$'000
Analysed for reporting purposes as:		
Current asset	**7,619**	2,206
Non-current asset	**362,570**	98,802
	370,189	101,008

As at 31 March 2012, the Group had not obtained land use right certificates for leasehold land located in Wujiang, the PRC, with a carrying value of approximately HK$268,058,000 (2011: nil). The directors of the Company expect to obtain the land use right certificates for the leasehold land in 2013.

16. INTANGIBLE ASSETS

	Trademarks HK$'000
COST	
At 1 April 2010	1,658
Exchange adjustments	78
At 31 March 2011	1,736
Exchange adjustments	63
At 31 March 2012	1,799
AMORTISATION	
At 1 April 2010	52
Exchange adjustments	6
Charge for the year	213
At 31 March 2011	271
Exchange adjustments	14
Charge for the year	221
At 31 March 2012	506
CARRYING VALUE	
At 31 March 2012	1,293
At 31 March 2011	1,465

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

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 **HK$'000**	2011 HK$'000
Costs of investment in jointly controlled entities – unquoted	**5**	444
Share of post-acquisition profit (loss) and other comprehensive income (expense)	**4,842**	(249)
	4,847	195
Loan to a jointly controlled entity (note)	**–**	4,995
	4,847	5,190

Note: The amount was unsecured, interest-free and with no fixed repayment terms. The Group would not demand for repayment in the next twelve months from 31 March 2011 and the amount was therefore shown in the consolidated statement of financial position as a non-current asset at 31 March 2011.

The amount was fully repaid during the year ended 31 March 2012.

As at 31 March 2012 and 2011, 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**		**Principal activity**
				2012 **%**	2011 %	
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	**N/A**	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.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES – Continued

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

	2012 HK$'000	2011 HK$'000
Current assets	**8,635**	5,546
Non-current assets	**90**	81
Current liabilities	**3,878**	1,937
Non-current liabilities	**–**	3,495
Revenue	**17,429**	12,247
Expenses	**12,777**	12,207

18. DEFERRED TAXATION

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**(453)**	(453)
Deferred tax liabilities	**4,669**	4,669
	4,216	4,216

The following are the major deferred 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 2010	2,976	720	537	4,233
(Credit) charge to profit or loss	–	156	(173)	(17)
At 31 March 2011 and 31 March 2012	2,976	876	364	4,216

18. DEFERRED TAXATION – Continued

The Group had unused tax losses of HK$170,738,000 (2011: HK$105,105,000) as at 31 March 2012 available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit stream. Most of 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 2016.

Under the EIT Law as described in note 8, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Except for deferred tax liability of HK$2,976,000 (2011: HK$2,976,000) which has been provided for as at 1 April 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$749,748,000 (2011: HK$633,268,000) as at 31 March 2012 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. REFUNDABLE EARNEST MONEY PAID FOR LEASE PREMIUM FOR LAND/ DEPOSIT PAID FOR ACQUISITION OF A LAND LEASE

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 acquisition of ownership interest in land located in Tianjin, the PRC by auction. The amount of RMB9,144,000, equivalent to HK$11,281,000 was related to phase 1 of the land lease.

Auction of phase 1 of the land lease is completed in August 2011 and related acquisition had completed subsequent to 31 March 2012. Details of the transactions have been disclosed in note 37.

The remaining balance of RMB10,738,000, equivalent to HK$13,247,000, represents the refundable earnest money for acquisition of phase 2 of the land as at 31 March 2012. The auction is still in progress during the year ended 31 March 2012 and there was no contracted capital commitment as at 31 March 2012.

20. INVENTORIES

	2012 **HK$'000**	2011 HK$'000
Raw materials	**200,590**	152,640
Work-in-progress	**60,118**	41,925
Finished goods	**285,194**	200,452
	545,902	395,017

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Trade receivables		
Trade and bills receivables	390,714	332,950
Less: allowance for doubtful debts	–	(1,106)
	390,714	331,844
Other receivables and prepayments		
Valued added taxes recoverable	65,751	47,747
Deposits	27,359	18,077
Sundry receivables	46,143	24,222
Prepayments	67,693	40,797
	206,946	130,843

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	247,670	201,858
31 – 60 days	100,832	70,976
61 – 90 days	9,364	45,459
Over 90 days	32,848	13,551
	390,714	331,844

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$34,037,000 (2011: HK$14,761,000) 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$356,677,000 (2011: HK$317,083,000) 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.

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – Continued

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

	2012 **HK$'000**	2011 HK$'000
31 – 60 days	**10,890**	710
61 – 90 days	**4,676**	500
Over 90 days	**18,471**	13,551
	34,037	14,761

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
Balance at beginning of the year	**1,106**	2,791
Impairment losses on trade receivables	**685**	477
Amounts written-off as uncollectible	**(1,791)**	(2,162)
Balance at end of the year	**–**	1,106

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:

	2012 **HK$'000**	2011 HK$'000
Trade receivables		
Hong Kong dollars	**2,750**	1,359
Other receivables		
Hong Kong dollars	**16,301**	3,379

22. AMOUNT DUE FROM A NON-CONTROLLING INTEREST

The amount was unsecured, interest-free and repayable on demand. During the year ended 31 March 2012, the amount was fully impaired as it is considered irrecoverable.

23. DERIVATIVE FINANCIAL INSTRUMENTS

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

At 31 March 2011, 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.

All of the foreign currency forward contracts matured during the year ended 31 March 2012, the major terms of foreign currency forward contracts outstanding at 31 March 2011 were 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/USD6.6360	(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

Changes in the fair values of non-hedging foreign currency forward contacts amounting to a loss of HK$17,000 (2011: a gain of HK$4,420,000) have been recognised in profit or loss.

24. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at prevailing deposit rates ranging from 0.05% to 2.85% (2011: 0.05% to 2.85%) per annum.

The pledged bank deposits carry interest at prevailing deposit rate of 0.5% 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:

	2012 **HK$'000**	2011 HK$'000
Unites States dollars	**229,324**	141,695
Hong Kong dollars	**31,201**	30,306

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Trade and bills payables	**294,759**	221,475
Other payables and accruals		
Trade deposits received from customers	**72,756**	67,845
Accruals	**134,787**	77,194
Others	**17,653**	31,703
	225,196	176,742
Government grant (Note)	**180,890**	–

Note: During the year ended 31 March 2012, the PRC government granted a subsidy of RMB147 million (approximately HK$180,890,000) in respect of the Group's development of manufacturing plant in Wujiang City, the PRC. Such amount was fully paid to the Group prior to the development of the plant. The amount will be offset against the construction costs of the assets in the coming years.

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

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	**259,362**	207,411
31 – 60 days	**27,461**	11,861
61 – 90 days	**358**	706
Over 90 days	**7,578**	1,497
	294,759	221,475

26. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank loans analysed as:		
Secured	**305,300**	–
Unsecured	**277,500**	17,500
	582,800	17,500

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

	2012 HK$'000	2011 HK$'000
Carrying amount repayable within one year shown under current liabilities*	**462,800**	15,000
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)	**120,000**	2,500
	582,800	17,500

* These bank loans also contain a repayment on demand clause.

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 3.1% (2011: 2.3%) per annum.

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

	2012 HK$'000	2011 HK$'000
Hong Kong Dollars	**427,500**	17,500

27. SHARE CAPITAL

	Number of shares '000	Amounts HK$'000
Authorised:		
Ordinary shares at 1 April 2010, 31 March 2011 and 31 March 2012 – HK$0.40 each	1,250,000	500,000
Issued and fully paid:		
At 1 April 2010	723,816	289,526
Issued during the year (note a)	247,320	98,928
At 31 March 2011	971,136	388,454
Repurchase of share (note b)	(23,394)	(9,357)
At 31 March 2012	947,742	379,097

Notes:

(a) 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.

(b) During the year ended 31 March 2012, 27,988,400 ordinary shares of HK$0.40 each of the Company were repurchased at a price ranging from HK$4.27 to HK$5.71 per share. On 9 February 2012, 23,394,000 shares were cancelled. The remaining 4,594,400 shares which was recognised as treasury shares at the end of the reporting period were subsequently cancelled on 20 April 2012.

28. FINANCIAL INFORMATION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Investments in subsidiaries	**252,479**	252,478
Prepayments and other receivables	**14,218**	1,114
Amounts due from subsidiaries	**1,476,203**	1,405,184
Bank balances	**10,539**	11,135
TOTAL ASSETS	**1,753,439**	1,669,911
Amount due to subsidiaries	**225,309**	–
Accruals	**2,678**	3,202
TOTAL LIABILITIES	**227,987**	3,202
TOTAL ASSETS LESS TOTAL LIABILITIES	**1,525,452**	1,666,709
CAPITAL AND RESERVES		
Share capital	**379,097**	388,454
Share premium and reserves	**1,146,355**	1,278,255
	1,525,452	1,666,709
Profit for the year	**162,108**	72,609

29. 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 employee.

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

30. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	2012	2011
	HK$'000	HK$'000
Rental expense paid to related parties (note)	**1,523**	1,541
Rental expense paid to a jointly controlled entity	**2,215**	2,591

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.

(II) Related party balances

Details of outstanding balances with related parties of the Group are set out in notes 17 and 22.

(III) Compensation of key management personnel

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

31. PLEDGE OF ASSETS

At 31 March 2012, bank deposits with balance of HK$310,881,000 (2011: nil) were pledged to banks for banking facilities granted to the Group.

32. OPERATING LEASES

The Group as lessee

	2012	2011
	HK$'000	HK$'000
Minimum lease payments paid under operating leases recognised as an expense	**129,647**	103,669

32. OPERATING LEASES – Continued

The Group as lessee – Continued

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:

	2012 HK$'000	2011 HK$'000
Within one year	**86,339**	62,707
In the second to fifth year inclusive	**26,721**	15,549
	113,060	78,256

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:

	2012 HK$'000	2011 HK$'000
Rental income	**2,892**	2,777
Less: outgoings	**(2)**	(22)
	2,890	2,755

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

	2012 HK$'000	2011 HK$'000
Within one year	**2,410**	2,669
In the second to fifth year inclusive	**522**	1,651
	2,932	4,320

The properties generate rental yield of 10% (2011: 10%) on an ongoing basis. All of the properties held have committed tenants for the next two years.

33. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**45,079**	45,441
– construction of production plant	**56,209**	374,304
– lease premium for land	**69,400**	–
	170,688	419,745
Capital expenditure authorised for but not provided for in the consolidated financial statements in respect of		
– construction of production plant	**–**	254,202
– acquisition of property, plant and equipment	**–**	1,547,619
– lease premium for land	**81,452**	134,125
	81,452	1,935,946

34. 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 26, cash and cash equivalents disclosed in note 24 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 27 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.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,937,810**	1,968,339
Derivative financial instruments	**–**	1,997
Financial liabilities		
Amortised cost	**885,828**	270,678
Derivative financial instruments	**–**	692

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, 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 as 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

	2012 HK$'000	2011 HK$'000
US Dollars	**229,324**	141,695
HK Dollars	**50,252**	151
Euro	**26**	122

35. FINANCIAL INSTRUMENTS – Continued

Financial risk management objectives and policies – Continued

Currency risk – Continued

Liabilities

	2012 **HK$'000**	2011 HK$'000
HK Dollars	**427,500**	–

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

	2012 **HK$'000**	2011 HK$'000
HK Dollars	**756,839**	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.

	2012 **HK$'000**	2011 HK$'000
Increase (decrease) in profit for the year		
– HK Dollars	**37,499**	21,704
– US Dollars	**(9,574)**	(5,916)
– Euro	**(1)**	(5)

Details of foreign currency forward contracts entered into by the Group as at the end of reporting period are set out in note 23. 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.

35. 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 pledged bank deposits and bank deposits had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2012 would increase/decrease by HK$6,155,000 (2011: HK$6,311,000). 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 points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2012 would decrease/increase by HK$2,433,000 (2011: HK$73,000). 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. In addition, the Group's exposure on trade receivables was covered by insurance. The Group has purchased a credit insurance from certain insurance corporation on overseas sales to compensate for losses from debts that are not collectible.

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.

35. FINANCIAL INSTRUMENTS – Continued

Financial risk management objectives and policies – Continued

Credit risk – Continued

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: 12% (2011: 7%) and 49% (2011: 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.

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 borrowings 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 include 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. The derivative financial instruments were 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.

35. 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$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
As at 31 March 2012				
Non-derivative financial liabilities				
Trade and other payables	**–**	**303,028**	**303,028**	**303,028**
Bank borrowings – variable rate	**3.12**	**582,800**	**582,800**	**582,800**
		885,828	**885,828**	**885,828**

	Weighted average effective interest rate %	On demand or less than 1 month 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

35. 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).

	2012 **HK$'000**	2011 HK$'000
Level 2		
Derivative financial assets	–	1,997
Derivative financial liabilities	–	(692)

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

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.

36. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Share option schemes

On 5 March 2010, a share option scheme was adopted by the shareholders of the Company (the "Share Option Scheme"). The purpose of the 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 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 Share Option 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, 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 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 Share Option Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of 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 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.

36. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – Continued

Share option schemes – Continued

Details of the share options granted by the Company are as follows:

	Date of grant	Number of share options granted	Exercise period	Exercise price HK$	Fair value HK$'000
Tranche 1	18 October 2010	4,100,000	Note 1	10.18	19,208
Tranche 2	30 June 2011	240,000	30 June 2013 to 29 June 2015	8.11	770
Tranche 3	6 July 2011	4,500,000	6 July 2014 to 5 July 2016	8.55	5,292
Tranche 4	8 February 2012	7,549,600	Note 2	4.72	3,096

Notes:

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

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

2. The share options granted are exercisable in four batches, being:

   - 8 February 2014 to 7 February 2016 (both dates inclusive) (1,903,200 shares options granted are exercisable)
   - 8 February 2015 to 7 February 2017 (both dates inclusive) (1,903,200 shares options granted are exercisable)
   - 8 February 2016 to 7 February 2018 (both dates inclusive) (1,903,200 shares options granted are exercisable)
   - 8 February 2017 to 7 February 2019 (both dates inclusive) (1,840,000 shares options granted are exercisable)

36. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – Continued

Share option schemes – Continued

The following tables disclose details of movements of the Company's share options held by directors and employees during the current and prior years:

		Number of share options					
Options	**Vesting period**	**Outstanding at 1.4.2010**	**Granted during the year**	**Outstanding at 31.3.2011**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 31.3.2012**
Directors							
Tranche 1	18.10.2010 – 17.4.2012	–	2,100,000	2,100,000	–	–	2,100,000
	18.10.2010 – 17.10.2015	–	2,000,000	2,000,000	–	–	2,000,000
Tranche 2	30.6.2011 – 29.6.2013	–	–	–	240,000	–	240,000
Tranche 3	6.7.2011 – 5.7.2014	–	–	–	500,000	–	500,000
Tranche 4	8.2.2012 – 7.2.2014	–	–	–	54,000	–	54,000
	8.2.2012 – 7.2.2015	–	–	–	54,000	–	54,000
	8.2.2012 – 7.2.2016	–	–	–	54,000	–	54,000
	8.2.2012 – 7.2.2017	–	–	–	54,000	–	54,000
		–	4,100,000	4,100,000	956,000	–	5,056,000
Employees							
Tranche 3	6.7.2011 – 5.7.2014	–	–	–	4,000,000	(490,000)	3,510,000
Tranche 4	8.2.2012 – 7.2.2014	–	–	–	1,849,200	(44,800)	1,804,400
	8.2.2012 – 7.2.2015	–	–	–	1,849,200	(44,800)	1,804,400
	8.2.2012 – 7.2.2016	–	–	–	1,849,200	(44,800)	1,804,400
	8.2.2012 – 7.2.2017	–	–	–	1,786,000	(42,800)	1,743,200
		–	–	–	11,333,600	(667,200)	10,666,400
Exercisable at the end of the reporting period							–

36. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – Continued

Share option schemes – Continued

The fair values of the share options at the dates of grant 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:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Closing share price at date of grant	HK$10.18	HK$8.11	HK$8.55	HK$4.72
Exercise price	HK$10.18	HK$8.11	HK$8.55	HK$4.72
Suboptimal exercise factor	2.2	2.8	2.2 to 2.8	2.2 to 2.8
Expected volatility	52.468%	60.94%	56.78%	51.59% to 58.68%
Expected dividend yield	2.89%	3.26%	3.09%	4.03%
Risk free rate	2.54%	1.003%	1.42%	0.466% to 0.999%
Fair value	HK$4.58 to HK$4.79	HK$3.21	HK$0.89 to HK$3.46	HK$0.19 to HK$0.86

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$10,104,000 for the year ended 31 March 2012 (2011: HK$3,742,000) 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. 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.

36. 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 during the year are as follows:

Category	Date of grant	Vesting period	Fair value per share (Note) HK$	As at 1.4.2010	Granted during the year	As at 1.4.2011	Granted during the year	Lapsed during the year	As at 31.3.2012
Employees	11.2.2011	11.2.2011 to 31.12.2013	12.34	–	350,800	350,800	–	(70,200)	**280,600**
Executive directors	15.6.2011	15.6.2011 to 31.12.2013	8.6	–	–	–	84,000	(54,000)	**30,000**
				–	350,800	350,800	84,000	(124,200)	**310,600**

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

The equity-settled share-based payments charged to the profit or loss was HK$1,491,000 for the year ended 31 March 2012 (2011: HK$244,000).

37. EVENT AFTER THE REPORTING PERIOD

The Group entered into an agreement in May 2012 with the Tianjin municipal government for the acquisition of phase 1 of the land located in Tianjin as stated in note 19 for a consideration of RMB65,400,000 (equivalent to approximately HK$80,681,000). Full settlement was made subsequent to the signing of the agreement in May 2012.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2012 and 2011 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 2012	2011	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
Man Wah UK Ltd.[4]	United Kingdom	GBP100	**100%**	N/A	Advertising and marketing of home finishing goods
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 Furniture (China) Co., Ltd.* [1, 4] 敏華家具(中國)有限公司	The PRC	US$11,000,000	**100%**	N/A	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 Furniture Headquarter (Wujiang) Co., Ltd.* [1, 4] 敏華家具總部(吳江)有限公司	The PRC	US$37,500,000	**100%**	N/A	Trading of sofa, bedding products, other furniture and foam

38. PARTICULARS OF 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 2012	2011	Principal activities
Indirectly owned – Continued					
Remaco Machinery Technology (Wujiang) Co., Ltd. * [1, 4] 鋭邁機械科技(吳江)有限公司	The PRC	RMB56,450,740	**55%**	N/A	Manufacturing of sofa and other furniture
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
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	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

38. PARTICULARS OF 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 2012	2011	Principal activities
Indirectly owned – Continued					
Fo Shan Carnival Home Furnishing Co., Ltd.* [2, 4] 佛山嘉年名華家具有限公司	The PRC	RMB1,000,000	**100%**	N/A	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
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
Quanzhou Man Wah Furniture Co., Ltd.* [2, 4] 泉州敏華家具有限公司	The PRC	RMB1,000,000	**100%**	N/A	Trading of sofa and other furniture

38. PARTICULARS OF 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 2012	2011	Principal activities
Indirectly owned – Continued					
Tianjin An Lan Da Sales Co., Ltd.* 2, 4 天津安蘭大家具銷售有限公司	The PRC	RMB1,000,000	**100%**	N/A	Trading of sofa and other furniture
Wu Hu Man Wah Furniture Co., Ltd.* 2, 4 蕪湖敏華家具有限公司	The PRC	RMB1,000,000	**100%**	N/A	Trading of sofa and other furniture
Zhong Shan Man Wah Furniture Co., Ltd.* 2, 4 中山敏華家具有限公司	The PRC	RMB1,000,000	**100%**	N/A	Trading of sofa and other furniture
Dalian Man Wah Furniture Co., Ltd.* 2 大連敏華家具有限公司	The PRC	RMB1,500,000	**100%**	100%	Trading of sofa and other furniture
Ningbo Carnival Home Furnishing Co. Ltd* 2, 3 寧波嘉年華家具有限公司	The PRC	RMB1,500,000	**100%**	100%	Trading of sofa and other furniture
Changqin King Famous Bedding Furniture Co., Ltd* 2, 3 重慶金雅典家具有限公司	The PRC	RMB2,500,000	**100%**	100%	Trading of sofa and other furniture
Xiamen An Lan Da Ai Meng Furniture Co., Ltd* 2, 3 廈門安蘭大愛蒙家具有限公司	The PRC	RMB1,500,000	**100%**	100%	Trading of sofa and other furniture
Man Wah Furniture (S) Singapore Pte. Ltd.3	Singapore	SGD1,000,000	**100%**	80%	Trading of sofa and other furniture
Famous Bedding 雅典床具有限公司	Hong Kong	HK$100	**100%**	100%	Investment holding

38. PARTICULARS OF 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 2012	2011	Principal activities
Indirectly owned – Continued					
King Famous Bedding Manufacturing (Shenzhen) Co., Ltd.* [1] 金雅典床具制造（深圳）有限公司 (“Bedding SZ”)	The PRC	HK$1,000,000	**100%**	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
Xiang He An Lan Da Furniture Co., Ltd.* [2, 4] 香河安蘭大家具有限公司	The PRC	RMB100,000	**100%**	N/A	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] Being newly incorporated during the year ended 31 March 2011.
[4] Being newly incorporated during the year ended 31 March 2012.

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	Medium	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%

Particulars of Major Properties

	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 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
	(restated)	(restated)			
RESULTS					
Revenue	1,543,089	1,963,837	2,932,217	3,808,210	**4,336,353**
Profit before income tax	202,700	249,452	668,912	680,714	**337,467**
Income tax expense	(5,553)	(21,408)	(51,567)	(59,412)	**(35,293)**
Profit for the year	197,147	228,044	617,345	621,302	**302,174**
Attributable to					
– Owners of the Company	194,089	223,509	605,799	622,296	**303,345**
– Non-controlling interests	3,058	4,535	11,546	(994)	**(1,171)**
	197,147	228,044	617,345	621,302	**302,174**
Earnings per share					
– Basic (HK cents)	HK$27.47	HK$31.63	HK$85.09	HK$64.46	**HK$31.47**
– Diluted (HK cents)	N/A	N/A	N/A	HK$64.45	**HK$31.46**

	As at 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
	(restated)	(restated)			
ASSETS AND LIABILITIES					
Total assets	1,050,669	1,226,747	1,668,971	3,525,044	**4,483,261**
Total liabilities	(431,936)	(412,495)	(518,339)	(430,309)	**(1,294,343)**
	618,733	814,252	1,150,632	3,094,735	**3,188,918**
Equity attributable to owners of the Company	613,470	804,245	1,150,632	3,094,607	**3,158,469**
Non-controlling interests	5,263	10,007	–	128	**30,449**
	618,733	814,252	1,150,632	3,094,735	**3,188,918**

Note: The Company has accounted for the transferal of entire equity interests of Famous Bedding to the Company by means of an exchange of shares on 7 December 2009 ("Corporate Reorganisation"), 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.