MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 01999)

Annual Report 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Man Li *(Chairman and Managing Director)*
Ms. Hui Wai Hing
Mr. Wang Guisheng
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying (appointed on 4 February 2015)
Mr. Stephen Allen Barr (resigned on 4 February 2015)

Non-executive Director
Mr. Xie Fang

Independent non-executive Directors
Mr. Ong Chor Wei
Mr. Chau Shing Yim, David
Mr. Lee Teck Leng, Robson
Mr. Kan Chung Nin, Tony

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Lee Teck Leng, Robson
Mr. Ong Chor Wei
Mr. Xie Fang

NOMINATION COMMITTEE

Mr. Wong Man Li *(Chairman)*
Mr. Lee Teck Leng, Robson
Mr. Chau Shing Yim, David
Mr. Wang Guisheng
Mr. Kan Chung Nin, Tony

REMUNERATION COMMITTEE

Mr. Lee Teck Leng, Robson *(Chairman)*
Mr. Wong Man Li
Mr. Chau Shing Yim, David
Mr. Wang Guisheng
Mr. Kan Chung Nin, Tony

COMPANY SECRETARY

Mr. Wang Guisheng

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

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
Citibank, N.A.

STOCK CODE

1999

WEBSITE

www.manwahholdings.com

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
29A & 2402, Admiralty Centre I
18 Harcourt Road
Hong Kong

Executive Directors

Mr. Wong Man Li, aged 50, 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 20 years of experience in the furniture industry. Since 2005, Mr. Wong has been the Vice-President of the China Furniture & Decoration Chamber of Commerce (全國工商聯家具裝飾業商會), the Executive Member of the China National Furniture Association (中國傢具協會) and the sofa Professional Committee Executive Chairman of the China National Furniture Association (中國家具協會沙發專業委員會). In December 2007, Mr. Wong was recognized as one of the "Top Ten Outstanding Youth Industrialists of Hong Kong" (香港十大傑出青年工業家) and a Standing Committee of the Huizhou Chinese People's Political Consultative Conference (惠州市政協委員會) since February 2009. In December 2012, Mr. Wong was elected as a Founding Chairman of the China Furnishing Brand Federation (中國傢具品牌聯盟). In 2013, Mr. Wong was elected as an Honorary Director of the Development Committee of the Hong Kong Baptist University Jao Tsung-I Academy of Sinology (香港浸會大學饒宗頤國學院發展委員會) and as an Honorary Vice-Chairman of Hong Kong Baptist University Foundation (香港浸會大學基金) in February 2014. Since 2013, Mr. Wong was elected as a Co-Chairman of the "Community for the Chest". In 18 May 2015, Mr. Wong was elected as an Executive Chairman of the Hong Kong Industrial & Commercial Association (香港工商總會) and as a Founding Chairman of the Happy Hong Kong Charity Foundation (築福香港慈善基金會). 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, and the father of Ms. Wong Ying Ying, an executive Director. Mr. Wong is the director of Man Wah Investments Limited, the controlling shareholder of the Company.

Ms. Hui Wai Hing, aged 52, 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, and the mother of Ms. Wong Ying Ying, an executive Director. She joined our Group in 1992 and was appointed our Director on 17 November 2004. She has over 20 years of experience in the furniture industry, over 19 years of which is management experience in our Group.

Mr. Wang Guisheng, aged 45, is our executive Director, Chief Financial Officer and Company Secretary. Mr. Wang is also a member of the Company's nomination committee and remuneration committee. He joined the Company in November 2010 and was appointed as executive Director on 25 May 2011. Mr. Wang also served as directors of certain subsidiaries of the Company. 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. He completed the Senior Executive Program For China ("SEPC") organised jointly by Tsinghua University School of Economics and Management, China Europe International Business School, Harvard Business School. He received a master's degree from China Europe International Business School in Executive Business Administration ("EMBA"). Mr. Wang is qualified as a Certified Public Accountant with The Chinese Institute of Certified Public Accountants ("CICPA") and has been a fellow member of The Association of Chartered Certified Accountants of England ("FCCA") since April 2003. He is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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, 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 44, is our executive Director and was appointed on 6 October 2011 who joined the Group in September 2010. He is responsible for exploring the furniture markets in United Kingdom, Europe, Africa, Asia and Oceania. Mr. Marnie has over 25 years of experience in manufacturing, retail and marketing in furniture industry. 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 for 19 years in Reid Furniture Limited, a company which was subsequently owned by Steinhoff, the largest furniture retailer of Scotland and Ireland at that time, and had served as its managing director and chief executive officer for 3 years and 2 years, respectively.

Mr. Dai Quanfa, aged 42, is our executive Director and was appointed on 19 July 2012 who joined the Group in 1995, and is currently a director of a number of subsidiaries of the Company, including Man Wah Furniture Manufacturing (Huizhou) Co., Ltd. (敏華傢具製造(惠州)有限公司), Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. (敏華傢具製造(深圳)有限公司), King Famous Bedding Manufacturing (Shenzhen) Co., Ltd. (金雅典床俱製造(深圳)有限公司), Remaco Machinery Technology (Wujiang) Co., Ltd. (銳邁機械科技(吳江)有限公司) and Man Wah Furniture (China) Co., Ltd. (敏華傢具(中國)有限公司). Mr. Dai is also a senior director of the manufacturing center of the Group. He is responsible for the Group's manufacture of furniture. Mr. Dai has over 20 years of experience in the furniture industry.

Ms. Wong Ying Ying, aged 28, is our executive Director and was appointed on 4 February 2015 who joined the Group in 2009. She is the daughter of Mr. Wong Man Li, our Chairman, Managing Director, executive Director and controlling shareholder, and Ms. Hui Wai Hing, our executive Director. She is the chief brand officer and deputy general manager of the Great China Division of the Group. Ms. Wong is also a director of some of the subsidiaries of the Company. She is responsible for retail sales, marketing plans and e-commerce in China and has been assisting in the general administration and retail business of the Group in Hong Kong. She is the vice-chairman of Dynamic Youth of Huizhou Ltd, vice-chairman of Kwai Tsing Volunteer Develop Team, honorary chairman of Shatin District Junior Police Call, member of the Y. Elites Association, honorary chairman of Shatin Sports Association, youth member of HK Industrial & Commercial Association Ltd, Youth Link and youth member of HK Young Industrialists Council and youth member of Jiangsu Youth Federation. She graduated from the University of Wisconsin Madison, Wisconsin, United States of America in 2009 with bachelor's degrees in both Marketing and Sociology.

Non-executive Director

Mr. Xie Fang, aged 40, is our non-executive Director and was appointed on 20 May 2013. Mr. Xie is also a member of the Company's audit committee. He has been the managing director of CDH Investments since 2006 where he is primarily responsible for private equity investments. Currently, he is also a director at Suntar Environment Engineering (Xiamen) Co., Ltd (三達(廈門)環境工程有限公司), Zhejiang Jindun Pressure Vessel Co., Ltd. (浙江金盾壓力容器有限公司), Access Universe International Limited (中經匯通有限責任公司) and MeiHua Holdings Group Co., Ltd. (梅花生物科技集團有限公司) (stock code: 600873), a company listed on the Shanghai Stock Exchange. From 2000 to 2002, he was a senior manager at the investment banking department of BOC International Holdings Limited (中銀國際控股有限公司). From 2002 to 2004, he was the vice president at Uni-Quantum Investment Advisory (Beijing) Co., Ltd. (量宇投資顧問(北京)有限公司). From 2004 to 2006, he was an investment manager at Shanghai NewMargin Ventures Co., Ltd. (上海永宣創業投資管理有限公司), formerly known as Shanghai Lianchuang Investment Management Co., Ltd. (上海聯創投資管理有限公司). Mr. Xie holds a bachelor degree in automation engineering (自動化工程系) and a master degree in management science and engineering (管理科學與工程系), both awarded by the Shanghai Jiao Tong University (上海交通大學).

Independent non-executive Directors

Mr. Lee Teck Leng, Robson, aged 47, was our independent non-executive Director from 26 April 2005 until the delisting of our Company from the Singapore Stock Exchange Securities Trading Limited ("SGX-ST") effective from 15 September 2009. He was re-appointed as our independent non-executive Director on 5 March 2010. Mr. Lee is the Chairman of the Company's remuneration committee and a member of each of the Company's audit and nomination committees. Mr. Lee holds a Second Class Upper Honours Degree in Law from The National University of Singapore. Mr. Lee is currently a global equity partner in the mergers and acquisitions practice, global capital markets and international finance practice of Gibson Dunn & Crutcher LLP. He was previously a senior partner of and was practising in Shook Lin & Bok LLP for over 20 years. Mr Lee is an advocate and solicitor of the Supreme Court of Singapore. He is also a solicitor of England and Wales. Mr. Lee is currently a non-executive director of Sheng Siong Group 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 Youyue 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, Youyue 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.

Mr. Chau Shing Yim, David, aged 51, 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 ("ICAEW"), and was granted the Corporate Finance Qualification of the ICAEW, and the HKICPA, and was an ex-committee member of the Disciplinary Panel of the HKICPA. Mr. Chau is an independent non-executive director of Lee & Man Paper Manufacturing Limited (stock code: 2314), Varitronix International Limited (stock code: 710), Evergrande Real Estate Group Limited (stock code: 3333), Evergrande Health Industry Group Limited (stock code: 708), Up Energy Development Group Limited (stock code: 307) and Richly Field China Development Limited (stock code: 313), all of which are listed on the Main Board of the Stock Exchange.

Mr. Ong Chor Wei, aged 45, is our independent non-executive Director. Mr. Ong was formerly our non-executive Director appointed on 5 March 2010 who was redesignated on 31 May 2012 as our independent non-executive Director. 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 Joyas International Holdings Limited, both of which is listed on the SGX-ST. Mr Ong is an executive director of Zibao Metals Recycling Holdings Plc, a company trading on AIM, a market operated by the London Stock Exchange (stock code: ZBO). He is also a non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), which is a company listed on the GEM Board of the Stock Exchange, 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. Previously, Mr. Ong served as a non-executive director of Jets Technics International Holdings Limited, a company listed on the SGX-ST. Mr. Ong has over 24 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 ICAEW and a member of the HKICPA.

Mr. Kan Chung Nin, Tony, aged 64, LL.B., P.C.L.L., BBS, JP, is our independent non-executive Director and was appointed on 20 May 2013. Mr. Kan is also a member of the Company's nomination committee and remuneration committee. He is the Senior Consultant of Tony Kan & Co., Solicitors & Notaries, practising as a Solicitor of the Supreme Court of Hong Kong since 1982. He is also a Solicitor of the Supreme Court of England and Wales, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory, as well as Advocate and Solicitor of the Supreme Court of the Republic of Singapore. He is also a China Appointed Attesting Officer and a Notary Public. Mr. Kan is currently a Committee Member of the National Committee of the Chinese People's Political Consultative Conference and was a Committee Member of the Guangdong Committee of the Chinese People's Political Consultative Conference for three consecutive terms. Mr. Kan had been an Elected Member of the Sha Tin District Council from 1985 to the end of 2011. He had also been an Elected Member of the Regional Council and he was elected as Vice Chairman of the Council in July 1997 until its dissolution at the end of 1999. Since 1988, Mr. Kan has served as a Councillor of Heung Yee Kuk in the New Territories and is currently an Ex Officio Member and Executive Committee Member of the Kuk. Mr. Kan is serving and has served on various advisory committees for the government, including Town Planning Board Member. He is currently a Member of the Building Committee of Hong Kong Housing Authority and a Member of the Election Committee of the Chief Executive of Hong Kong Special Administrative Region. Mr. Kan has been appointed as a non-executive director of Midland Holdings Limited (Stock Code: 1200), a company listed on the main board of the Stock Exchange since 15 March 2014.

Senior Management

All the executive directors of the Company are respectively responsible for the various aspects of the business and operations of the Group. These executive directors are regarded as the members of the senior management team of the Group.

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 2015 ("FY2015", the"Review Period" or the "Current FY").

Business Review

During the Review Period, despite a complicated and changing market environment, the Group continued to maintain a stable improvement in revenue due to its extensive market distribution network and the increasing competitiveness of its core products. Meanwhile, through continued improvement in delicacy management, the Group further reduced selling and distribution expenses and administrative expenses as a percentage of revenue, enabling a faster increase in the profit from core businesses.

In the North America market, as the economy benefited from the continued strength of the U.S. dollar and the decline in oil prices, relevant data indicators showed an increase in individual consumption, which in turn drove growth in the furniture retail market. During the Review Period, the Group continuously introduced products that were more competitive and innovative in order to attract customers and solidify its market share in this area.

In the Europe market, economic growth remained sluggish in the Eurozone and commodity import into the Eurozone was affected to a certain degree by the weak Euro. However, the Group's entry into new customer channels and greater efforts to promote its brand publicity in response to the local economic environment and market demand, as well as its provision of products with high cost performance to customers resulted in sales improvement in most countries.

In the China market, the Group took full advantage of the stable increase in domestic consumption demand, continued to expand its sales channels and further improved the sales of its existing retail stores. With the expansion of its retail store network coverage, the Group gradually increased its efforts in promoting the brand and introduced two series of new products. During the Review Period, China continued to maintain a steady sales growth trend.

In terms of its internal operations, the Group has already devised an effective performance evaluation and incentive system through continuously perfecting its management system in the past several years to provide a strong foundation for implementing delicacy management. During the Review Period, as the operating efficiency continued to improve, selling and distribution expenses, and administrative expenses as a percentage of revenue continued to fall, resulting in record-setting profitability.

Prospects

It is expected that economic indicators in the U.S. will improve in the coming year and consumer confidence will rise, providing a rare development opportunity for the furniture market. Meanwhile, the Group is launching more innovative high performance sofa materials, such as the newly launched synthetic "Bolero" which was well received by most clients at the recent High Point Furniture Show, and further expanding its production capacity, both of which are expected to increase its competitiveness in the U.S.' large-scale furniture retailers market segment.

In Europe and other overseas markets that continue to face serious challenges, the Group has confidence in its ability to maximize the competitive advantages of its products and gain market share by launching more products with high cost performance and enlarging its customer base.

In the China market, as consumers' income and brand awareness increase, more and more consumers are expected to upgrade their durable consumer goods, which will likely provide a continuous favorable development opportunity for the Group in the furniture market. According to Euromonitor International ("Euromonitor"), recliner sofas accounted for 39.8% of the American sofa market in 2014, but only accounted for less than 10% of the China sofa market, which, coupled with the fact that the Chinese reclining sofa market has seen yearly gains in market share within the overall sofa market, underscores vast growth potential. The Group is committed to establishing a product focused strategy in the China sofa market to ensure its recliner sofas have competitive advantages in brand, technology and cost. As the market leader, the Group resolves to seize commercial opportunities emerging in the market.

Moreover, the Group will continue to maintain the goal of opening no fewer than 200 retail stores every year and will also explore new opportunities available over the Internet. In March 2015, the Group successfully launched the online sales platform www.taomeiju.com to fully display its main products, closely integrating the online and in-store sales channels such that the two complement each other and are able to more fully realize synergies.

In terms of product research and development, apart from maintaining the core strength in the reclining sofa segment, in September 2014 the Group launched two new strategic product lines to consumers in the China market: stationary sofas under "Cheers Urban" and bedding under "Enlanda Home" to satisfy the diversified demands of consumers. The new products are expected to be a future growth driver for the Group.

In order to fully meet the demands from the market in southern China, the Group is constructing a new factory near the existing Huizhou Daya Bay factory. The new factory is aimed specifically at penetrating the domestic market and construction is expected to be completed in the second half of 2015 with the newly-added production capacity of 120,000 sets of sofas per year. This is expected to being the annual sofa production capacity of the Group up from approximately 1,316,000 sets to approximately 1,436,000 sets, enabling the Group to meet the increasing market demand with greater speed and flexibility.

In terms of environmental protection and sustainable development, the Group has been committed to providing healthy products to consumers while minimizing the impact on the environment. During the Review Period, the Group made full use of the roof of the Huizhou factory to complete the 10.5 MW distributed photovoltaic power generation system, and is currently constructing the similar 6.0 MW power generation system at the Wujiang factory, which will enhance energy conservation and emissions reduction in addition to effectively decreasing operational costs. In the future, the Group will continue to explore the applications of innovatives technology to make a greater contribution to environmental protection.

Appreciation

In the Current FY, the Group has already been listed in Hong Kong for five years and in Singapore for ten years. I hereby would like to extend my heartfelt thanks to the diligent staff, cooperative partners and loyal customers who have been closely working with the Group and the shareholders who have recognised the potential of the Group, for their full support, by virtue of which, the Group in return has made its own contribution to society and shareholders.

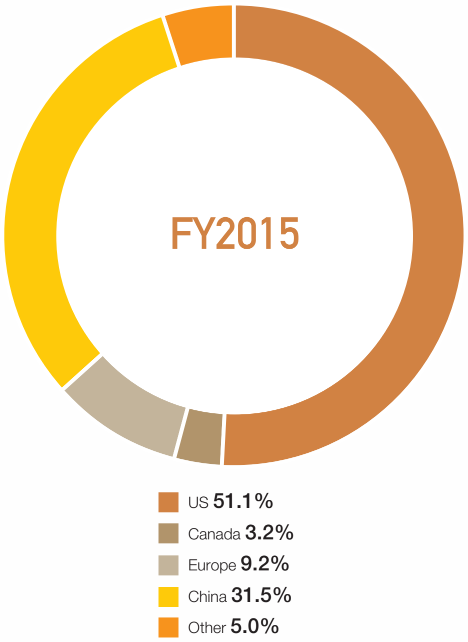
The Group will continue to strive its utmost to create better returns for shareholders in the future.

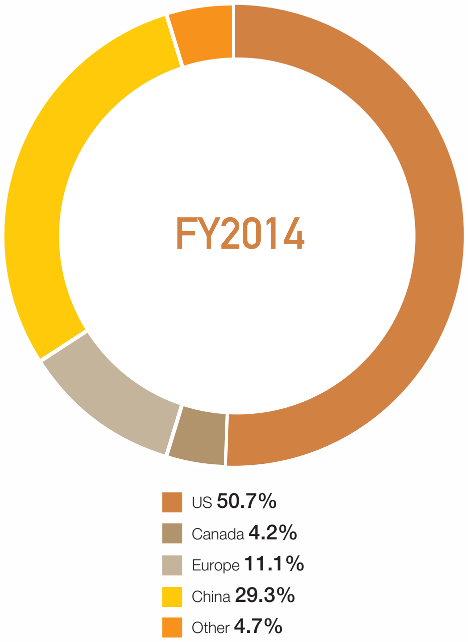
Wong Man Li
Chairman
Man Wah Holdings Limited

Management Discussion and Analysis

Man Wah International Markets

Revenue by Geographical Segment





Market Review

During FY2015, the Group continued to strengthen its core competitiveness through active product innovation and service upgrade. It further adjusted its product mix and expanded its market share, achieving satisfactory sales growth in various major markets. At the same time, the Group devoted considerable effort to enhancing operational efficiency and strengthening cost control. As a result, the Group recorded a substantial increase in net profits during the Review Period as compared with the Last Corresponding Period.

Steady improvement in the China market

During the Review Period, as a new normal of China's economy emerged, China's economy underwent structural reforms, with the Chinese government maintaining economic growth at a medium-to-high speed. According to the preliminary audited data released by the National Bureau of Statistics of China, GDP, total retail sales of consumer goods and urban resident per capita disposable income recorded year-on-year growth of 7.4%, 12.0% and 9.0% in 2014, respectively. These economic data indicated a steady development of the economy and a continuous improvement in the resident consumption capacity, which positively affected the overall retail consumption market. In particular, the total retail sales of the furniture category grew by 13.9% year-on-year in 2014. Benefiting from the favorable macroeconomic conditions, the Group continued to expand its business in Mainland China, driving the growth of total turnover.

Meanwhile, the accelerated urbanization of rural areas and favorable housing policies of the government provided an advantageous market condition for the Group. According to the data of the National Bureau of Statistics, China's urbanization rate reached 54.77% in 2014, up by 1.04 percentage points from 2013, indicating that an increasing number of the rural population is moving to the city. It is anticipated that the demand for residential units will become stronger. According to the data of the National Bureau of Statistics, the constructed and completed area of housing units in China rose by 9.2% and 5.9% year-on-year in 2014, respectively. This indicated a strong rigid demand for residential units, which will spur potential demand for furniture products. In addition, since the beginning of this year, major cities in China have eased purchasing restriction policies in succession, including relaxed policies released by the Central Bank of China, CBRC, MOHURD and other departments, such as loosening qualification criteria for first-time homebuyers, restating mortgage interest rate policy of minimum 30% off, introducing new housing fund policies, etc, and providing support for first-time homebuyers and improving homebuyers, all of which contributed to an increase in the purchasing intention of consumers and boosted the vitality of the real estate market. In view of this, the Group expanded its retail network coverage, increased its efforts in brand promotion and introduced two new product series, in order to take full advantage of the growth momentum of the furniture market.

Continued recovery of the North America market

In October 2014, the US Federal Reserve announced the termination of its quantitative easing policies, while the Federal Open Market Committee released a statement on its intent to continue maintaining low interest rates in December 2014, which provided support for the steady improvement of the US economy. According to the report of the US Department of Commerce, the US real GDP grew by 2.2% year-on-year in 2014, which drove the continued recovery of the residential property market and the increase in personal consumption levels. According to the data of the US Department of Commerce, total new houses constructed in the US in 2014 were 1,010,000 units, up by 8.8% from 2013. In addition, the US Federal Reserve's Report on nationwide economic trends pointed out that housing related commodity markets, such as the furniture industry, had development potential given the gradual decrease in unemployment rate and the continued increase in both personal consumption and housing sales in most areas of the US. According to the market report published by Euromonitor in April 2015, the Group was ranked as one of top three reclining sofa players in US with market share rose from 9.9% in 2013 to 10.2% in 2014. In the market survey conducted by Furniture Today (a leading US furniture magazine) published in May 2015, the Group was ranked number 6 out of top ten suppliers of US furniture market in calender year 2014 (ranked number 9 in calender year 2013) and was the fasted growing company in top ten suppliers. The Group will continue to take advantage of the competitive edge of its products and seize development opportunities in the US market.

Europe and other overseas markets

In the Europe market, the economic recovery of the Eurozone remained sluggish due to the weak Euro and the uneven economic indicators of various countries. According to the Eurostat, GDP of the European Union grew by only 1.9% year-on-year in 2014. In the fourth quarter of 2014, GDP of the Eurozone and the European Union grew by 0.3% and 0.4% quarter-on-quarter respectively, showing an overall slower recovery. However, the largest economy in the Eurozone, namely Germany, achieved better results, with its GDP having grown by 0.7% quarter-on-quarter as compared to the growth rate of 0.1% in the third quarter. Therefore, the Group will continue to launch reclining sofas with high cost-performance ratios, and actively expand customer channels and implement brand promotion in order to promote sales performance.

1. Disclaimer from Euromonitor International:

   "This information about Motion Recliners in USA and PRC contains information extracted from the commissioned report from Euromonitor International and reflects estimates of the market's size, rankings and performance from publicly available secondary sources and trade survey analysis of the opinions and perspectives of leading industry players, and is prepared primarily as a market research tool. Research by Euromonitor International should not be considered as the opinion of Euromonitor International as to the value of any security or the advisability of investing, or not investing, in the Man Wah Holdings Ltd.. Accordingly, Euromonitor International Limited does not give any representations as to the accuracy of the information set out in this report.

   We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. Information provided by the USA and PRC government or official information in the announcement, or the information prepared by Euromonitor International Limited and set out in this report, has not been independently verified by us, the Group, and they do not give any representations as to its accuracy."

Business Review

During FY2015, the Group continued to promote delicacy management, increasing its core competitiveness through continuous improvement. During the Review Period, the Group continued to maintain a steady growth in revenue as its profit reached a record high.

China market

In the China market, with the continuous expansion of its retail network and the enhancement of its manufacturing and logistics capabilities, the Group continued to strengthen its efforts in brand building during the Review Period, so as to increase brand awareness among consumers. During the Review Period, the Group maintained a rapid and steady growth trend in the China market with improved profitability.

During the Review Period, the net increase in numbers of stores was 259. As at 31 March 2015, the Group had a total of 1,441 (as at 31 March 2014: 1,182) "CHEERS", "ENLANDA" and "MOREWELL" self-owned and distributors' retail stores in China including:

The Group owned 113 "CHEERS" and 32 "ENLANDA" self-owned retail stores located in 10 cities in Mainland China, including first and second tier cities such as Shenzhen, Guangzhou and Shanghai, as well as 5 "CHEERS" and "MOREWELL" retail stores in Hong Kong.

Distributors of the Group operated 1,002 "CHEERS" and 289 "ENLANDA" retail stores across over 30 provinces, autonomous regions, municipalities and regions in China.

North America market

In the North America market, the improvement of macroeconomic data and consumer confidence provided a good development opportunity for furniture retailers. The Group has strengthened its cooperative relationship with various large local furniture retailers.

During the Review Period, the Group participated in 8 furniture exhibitions and gained more than 20 new customers in the market and introduced over 100 new sofa models to customers. The Group pioneered various synthetic fabric sofas with better performance and Wireless Chair products with higher cost-performance ratios during the Review Period, which products were was committed to once again well received by customers. During the Review Period, sales in the North America market grew by approximately 8.4% compared with the Last Corresponding Period.

Europe and other overseas markets

In the Europe market, the Eurozone economy continued to face challenges during the Review Period. The Group was committed to product innovation and continuously improved its customer service, enabling it to maintain its competitive advantages. During the Review Period, the Group participated in 3 furniture exhibitions in Europe and other overseas markets and gained more than 50 new customers in these markets. During the Review Period, sales in these markets decreased by approximately 2.2% compared with the Last Corresponding Period, mainly due to sales in the UK decreasing by approximately 19.6%. In Europe and other overseas markets, revenue in countries other than the UK grew by approximately 13.8%.

Product Research and Development

During the Review Period, the Group continued to prioritize product innovation as its main competitive advantage. The Group has successfully launched the Wireless Chair products and a series of new synthetic fabric sofas for the year. During the Review Period, the Group launched and introduced non-function sofas to more consumers in the China market, where they have been well received and are expected to promote sales growth in the future. The Group introduced more than 170 new sofa models during the Review Period. During the Review Period, the volume sold of non-leather sofas and leather sofas accounted for approximately 67.7% and 32.3% of the total sales volume of sofas in the overseas markets respectively and approximately 39.3% and 60.7% in the China market respectively.

Financial Review

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of sales (%)		Gross profit margin (%)	
	FY2015	FY2014	Change (%)	**FY2015**	FY2014	**FY2015**	FY2014
China Market	**2,066,416**	1,757,568	17.6%	**31.5%**	29.3%	**42.5%**	47.0%
North America Market	**3,562,469**	3,286,858	8.4%	**54.4%**	54.9%	**33.6%**	32.5%
Europe and other overseas markets	**925,926**	946,634	-2.2%	**14.1%**	15.8%	**27.9%**	24.9%
Total	**6,554,811**	5,991,060	9.4%	**100.0%**	100.0%	**35.6%**	35.6%

For the Current FY, total revenue rose by approximately 9.4% to approximately HK$6,554,811,000 (Last FY: approximately HK$5,991,060,000). The overall gross profit margin held flat year-over-year to approximately 35.6%.

During the Review Period, the Group once again raised the selling prices of its sofa products. Since increasing the wholesale and retail price of sofa products by an average of 5% in the China market in May 2014, the Group has from July 2014 onwards gradually increased the selling price of leather sofas in overseas markets by an average of over 2%. The above-mentioned price adjustments effectively offset the impact to the gross profit margin resulting from the increase in leather costs and the increase in the proportion of wholesale out of total revenue in the China market.

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

	FY2015	FY2014	Change (%)
Sales Volume (sets)	**857,117**	777,754	10.2%
Average Selling Price (HK$)	**6,747**	6,908	-2.3%
Sales revenue from sofa products (HK$'000)	**5,783,118**	5,372,875	7.6%

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

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

During the Review Period, revenue from CHEERS brand sofas rose by approximately 7.6% to approximately HK$5,783,118,000, accounting for approximately 88.2% of the Group's total revenue. The growth in revenue was mainly due to volume growth by approximately 10.2% to 857,117 sets (FY2014: 777,754 sets), average selling price fell by approximately 2.3% to approximately HK$6,747 per set (FY2014: approximately HK$6,908 per set). The average selling price in the China market fell by approximately 17.0% and the price for each set of sofa fell from approximately HK$11,765 to approximately HK$9,763. The average selling price of the North America market also fell by approximately 0.2% and the price of each set of sofa fell from approximately HK$6,656 to approximately HK$6,643. Average selling price in Europe and other overseas markets fell by approximately 3.6%, and price of each set of sofa fell from approximately HK$5,011 to approximately HK$4,832. The fall was mainly due to the Company increasing the proportion of non-leather sofa (which has a lower average unit price) out of total sofa sales to penetrate more quickly into the third and fourth tier cities in China market in order to minimize the impact of leather price fluctuation on gross profit margin. In addition, the proportion of wholesale out of total revenue represented a higher percentage versus self-operated retail stores out of total revenue of the Group in the China market, which also resulted in a decrease in average unit price.

North America market

During the Review Period, revenue from the North America market reached approximately HK$3,562,469,000, up by approximately 8.4% compared with approximately HK$3,286,858,000 from the Last Corresponding Period. Of this, revenue from the US reached approximately HK$3,349,932,000, up by approximately 10.3% compared with approximately HK$3,036,615,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$211,877,000, down by approximately 15.1% compared with approximately HK$249,427,000 from the Last Corresponding Period.

Europe and other overseas markets

During the Review Period, revenue from Europe and other overseas markets was approximately HK$925,926,000, down by approximately 2.2% compared with approximately HK$946,634,000 from the Last Corresponding Period. Of this, revenue from Europe reached approximately HK$601,370,000, down by approximately 9.4% compared with approximately HK$663,573,000 from the Last Corresponding Period. The major reason for the decrease of revenue was that revenue from the UK declined by approximately 19.6% from last fiscal year's approximately HK$452,157,000 to approximately HK$363,392,000 of this fiscal year. On the other hand, revenue from other European countries grew by approximately 12.6%, from approximately HK$211,416,000 to approximately HK$237,978,000. Revenue from other overseas markets reached approximately HK$324,556,000, up by approximately 14.7% compared with approximately HK$283,061,000 from the Last Corresponding Period. In Europe and other overseas markets, by offsetting the negative impact of the decrease in sales on gross profit through optimising products mix, gross profit margin grew from last fiscal year's approximately 24.9% to this fiscal year's approximately 27.9%.

China market

During the Review Period, revenue from the China market reached approximately HK$2,066,416,000, up by approximately 17.6% from approximately HK$1,757,568,000 from the Last Corresponding Period. Of this:

1. Revenue from CHEERS brand self-operated sofa retail stores reached approximately HK$549,715,000, down by approximately 3.7% compared with approximately HK$570,549,000 from the Last Corresponding Period;

   During the Review Period, some self-operated stores were adjusted to stores operated by distributors. The number of self-operated stores was adjusted to 118 as of 31 March 2015 from 128 as of 31 March 2014, down by approximately 7.8%.

   During the Review Period, average annual sales per self-operated store increased by approximately 22.2% from the Last Corresponding Period (average annual sales per store is calculated as sales of all stores divided by average number of stores, and average number of stores is calculated as the average of stores at the beginning of the fiscal year and the end of the fiscal year).

2. Wholesale revenue from CHEERS brand sofa retail stores operated by distributors reached approximately HK$1,103,228,000, up by approximately 36.2% compared with approximately HK$809,995,000 from the Last Corresponding Period;

   During the Review Period, the Group continued to expand its distributor network mainly in the third and fourth-tier cities in Mainland China. Stores operated by distributors rose to 1,002 as of 31 March 2015 from 745 as of 31 March 2014, representing a growth of approximately 34.5%.

   During the Review Period, average annual sales per distributor store under the CHEERS brand decreased by approximately 7.4% from the Last Corresponding Period.

3. Retail revenue from self-operated bedding retail stores under the ENLANDA brand reached approximately HK$70,222,000, down by approximately 29.0% compared with approximately HK$98,862,000 from the Last Corresponding Period;

   During the Review Period, the number of ENLANDA brand self-operated retail stores were adjusted to 32 as of 31 March 2015 from 43 as of 31 March 2014, down by approximately 25.6%. During the Review Period, average annual sales per ENLANDA self-operated retail store increased by approximately 22.2% from the Last Corresponding Period.

4. Wholesale revenue from bedding retail stores operated by distributors under the ENLANDA brand reached approximately HK$135,295,000, up by approximately 13.4% compared with approximately HK$119,276,000 from the Last Corresponding Period;

   During the Review Period, the number of stores operated by distributors went up from 266 as of 31 March 2014 to 289 as of 31 March 2015, up by approximately 8.6%, average annual sales per ENLANDA distributor store decreased by approximately 7.0% from the Last Corresponding Period.

5. During the Review Period, revenue from the internet and television platforms reached approximately HK$79,927,000, down by approximately 18.0% from approximately HK$97,507,000 in the Last Corresponding Period;

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

6. During the Review Period, revenue from commercial customers reached approximately HK$128,029,000, up by approximately 108.6% from HK$61,379,000 in the Last Corresponding Period.

Cost of goods sold

Cost of goods sold breakdown

	FY2015 HK$'000	FY2014 HK$'000	Change (%)
Cost of raw materials	**3,576,015**	3,317,760	7.8%
Labour costs	**475,883**	406,709	17.0%
Manufacturing overhead	**170,087**	135,558	25.5%
Total	**4,221,985**	3,860,027	9.4%

Major raw materials	Average unit cost year-on-year change (%)	% of total cost of sales (%)
Leather	6.3%	23.4%
Metal	0.3%	16.7%
PVC	-2.9%	1.6%
Wood	0.3%	8.4%
Fabric	1.8%	11.4%
Chemicals	-1.3%	9.1%

During the Review Period, overall cost of major raw materials rose slightly mainly due to the increase in leather price by approximately 6.3%. During the Review Period, the Group successfully maintained its gross profit margin through the increase in product prices and the further enhancement of productivity.

Other income

During FY2015, other income of the Group increased by approximately 11.9% to approximately HK$320,372,000, mainly due to the increase of government grant income and income from structured deposit and sales of industrial waste (FY2014: approximately HK$286,369,000).

	FY2015 HK$'000	FY2014 HK$'000	Change (%)
Income from sale of industrial waste*	**42,680**	41,431	3.0%
Government subsidies**	**145,005**	128,785	12.6%
Income on structured deposits***	**121,549**	105,771	14.9%
Others	**11,138**	10,382	7.3%
Total	**320,372**	286,369	11.9%

Notes:

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

** Government subsidies mainly consist of subsidy from the local government to subsidiaries in China.

*** Income from structured deposits originate from the Company using unutilized funds to invest in commercial banking wealth management products of major banks in mainland China. The banks have provided guarantee for principle and gains for all products. The investment period is no longer than six months.

Other gains and losses

During FY2015, other gains and losses of the Group amounted to loss of approximately HK$7,704,000 (Last Corresponding Period: gain of approximately HK$69,542,000). The decrease in other gains and losses was mainly due to the fact that there was no gains or losses from foreign exchange forward contracts during the Review Period as all foreign exchange forward contracts have closed position or been terminated as of 31 March 2014, whereas gains from foreign exchange forward contracts was approximately HK$83,967,000 in the Last Corresponding Period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 4.1% from approximately HK$972,706,000 in FY2014 to approximately HK$1,012,242,000 in FY2015. Selling and distribution expenses as a percentage of revenue further decreased from approximately 16.2% in FY2014 to approximately 15.4% in FY2015. The decrease was mainly due to the continuous improvement in the Group's operational efficiencies as well as the decline in the number of self-operated retail stores in the China market resulting in the relevant expense deduction, including:

(a) overseas transportation and port fees increased by approximately 3.4% from approximately HK$471,387,000 to approximately HK$487,411,000. Overseas transportation and port fees as a percentage of revenue decreased from approximately 7.9% to approximately 7.4%;

(b) rent, property management fees and utility decreased by approximately 8.8% from approximately HK$149,841,000 to approximately HK$136,604,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 2.5% to approximately 2.1%;

(c) advertising, promotion and brand building expenses decreased by approximately 7.4% from approximately HK$78,729,000 to approximately HK$72,909,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 1.3% to approximately 1.1%;

(d) salaries, welfare and commissions of sales staff increased by approximately 5.2% from approximately HK$141,354,000 to approximately HK$148,706,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.4% to approximately 2.3%; and

(e) domestic transportation expenses decreased by approximately 15.2% from approximately HK$41,331,000 to approximately HK$35,035,000. Domestic transportation expenses as a percentage of revenue decreased from approximately 0.7% to approximately 0.5%. The decrease in expenses was mainly due to the commencement of production of the factories in Wujiang and Tianjin which greatly reduced the transportation distance for sofa products in the middle and northern China market, and the fact that the Company has continually enhanced its logistics efficiency.

Administrative expenses

Administrative expenses increased by approximately 4.0% from approximately HK$338,568,000 in FY2014 to approximately HK$351,976,000 in FY2015. As a percentage of revenue, administrative expenses decreased from approximately 5.7% in FY2014 to approximately 5.4% in FY2015, including:

(a) salaries and welfare of employees increased by approximately 4.6% from approximately HK$146,992,000 to approximately HK$153,710,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.5% to approximately 2.3%; and

(b) depreciation and amortization expenses decreased by approximately 0.7% from approximately HK$83,878,000 to approximately HK$83,295,000. Depreciation and amortization expenses as a percentage of revenue decreased from approximately 1.4% to approximately 1.3%.

Share of results of a joint venture

During the Review Period, share of profit of a joint venture was approximately HK$1,075,000 (FY2014: approximately HK$8,877,000).

Share of results of an associate

During the Review Period, share of loss of an associate was approximately HK$1,020,000 (FY2014: profit of approximately HK$12,314,000).

Finance costs

The finance costs decreased by approximately 47.7% from approximately HK$43,160,000 in FY2014 to approximately HK$22,594,000 in FY2015, of which interest expense of bank loans decreased by approximately 13.6% from approximately HK$18,127,000 in FY2014 to approximately HK$15,663,000 in FY2015.

In addition, during the Review Period, the interest expense of convertible bonds was approximately HK$6,931,000 (FY2014: approximately HK$25,033,000). As of 31 March 2015, all convertible bonds have been fully converted or refunded. There was no outstanding amount for the convertible bonds.

Income tax expense

Income tax expense increased by approximately 4.4% from approximately HK$167,373,000 in FY2014 to approximately HK$174,799,000 in FY2015. The increase in income tax expense was mainly due to the rise in profit before tax. Income tax as a percentage of profit before tax decreased from approximately 14.5% in the Last FY to approximately 13.9% in the Current FY.

Profit attributable to Owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 10.1% from approximately HK$976,965,000 in FY2014 to approximately HK$1,075,159,000 in FY2015. The net profit margin of the Group continued to increase from approximately 16.3% in FY2014 to approximately 16.4% in FY2015. The increase in profit attributable to owners of the Company and net profit margin was mainly due to the continued revenue growth, and the fact that selling and distribution expenses, administrative expenses as a percentage of revenue continuously decreased from approximately 21.9% in FY2014 to approximately 20.8% in FY2015.

Dividends

The Board has proposed a final dividend of HK13 cents per share for the current year. During the current year, the Board has already declared and paid an interim dividend of HK25 cents per share and a special dividend of HK75 cents per share. Dividends declared for FY2015 accounted for approximately 114.9% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2015, the Group's bank balances and cash were approximately HK$1,599,028,000.

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

Liquidity and capital resources

As at 31 March 2015, the Group's short-term borrowings amounted to approximately HK$937,912,000, all of which were repayable within twelve months from 31 March 2015. Most of the borrowings bore floating interest rates.

The Group's primary source of working capital are cash flow from operating activities and bank deposits. As at 31 March 2015, the Group's current ratio was approximately 2.1 (31 March 2014: approximately 3.1). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2015, the Group's gearing ratio was approximately 21.3% (31 March 2014: approximately 17.8%), which is defined as total borrowings (including the liability portion of convertible bond) divided by total equity attributable to owners of the Group.

Allowance for inventories

For FY2015, the Group reversed allowance for inventories of approximately HK$1,584,000 (FY2014: made allowance for inventories approximately HK$3,679,000), mainly resulted from the utilization of the inventories of which allowance had previously been provided.

Impairment loss on trade and other receivables

For FY2015, the Group provided impairment loss on trade and other receivables of approximately HK$5,278,000 (FY2014: approximately HK$1,262,000).

Pledge of assets

As at 31 March 2015, except for approximately HK$2,698,000 restricted bank balances, the Group did not have any pledged assets.

Capital commitments and contingent liabilities

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

As at 31 March 2015, the Group did not have any contingent liabilities.

Foreign currency risks

The Group's exposure to currency risks is mainly attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than USD, the functional currency. At present, the Group's sales in overseas markets are mainly settled in USD, which efficiently avoided the exchange rate fluctuation risk than settled in other currencies. The Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. The Group's costs are mainly settled in USD, RMB and HKD. In the future, the Group will put greater effort in increasing the proportion of sales from the Mainland China market out of the Group's total revenue to achieve natural hedging against foreign exchange risk.

Significant investments and acquisitions

The Group did not have any significant investments or acquisitions or sales of subsidiaries or associates during FY2015. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

Human Resources

As at 31 March 2015, the Group had 12,121 employees (31 March 2014: 9,035 employees).

The Group firmly believes that staff is the most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases, and has developed a comprehensive staff training and development, performance evaluation and incentive system.

During FY2015, the total staff cost for the Group amounted to approximately HK$804,888,000 (FY2014: approximately HK$709,138,000), of which approximately HK$32,074,000 (FY2014: approximately HK$38,166,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme both of which enable the Group to reward employees and incentivise them to perform better.

Environmental, Social and Governance Report

Introduction

Man Wah Holdings Limited ("Man Wah") or (the "Company") has been persistent in the pursuit of its corporate value of "fulfilling social responsibility, to achieve sustainable development," and strived to promote the environment in the community and green recycling economic development, while adhering to the duty and responsibility of "bringing healthy, comfortable, valuable and stylish home to thousands of families".

This report summarizes, among other things, the progress achieved by the Company and its subsidiaries (collectively the "Group") in actively fulfilling its social responsibilities within the four key areas of environmental protection, operating practices, workplace quality and community involvement for the year ended March 31, 2015 ("FY 2015", the "Review Period" or the "Current FY").

1. Environmental Protection

The Group strived to enhance operational efficiency and fully implemented environmental management and resource conservation policies to reduce the impact of its business operations on the environment. At the same time, the Group has also organized and supported environmental activities that promote environmental protection to customers, suppliers and all sectors of society, in an effort to bring together various sectors of society to protect the earth's resources and create a greener life.

1.1 Energy Saving and Emission Reduction

Man Wah has adhered to the environmental policy of "pollution prevention and continuous improvement of environmental performance", to fulfill our corporate responsibilities in respect of the country's Blue Sky Plan. Since our establishment, we have been focusing on waste water, gas emissions and solid waste management.

In terms of waste water treatment, the Group has invested more than HK$4 million in the self-constructed sewage treatment systems of the main factories. Around 400,000 tons of domestic sewage has been treated during the Review Period. All treated up to standard domestic sewage has been reused, saving approximately 80,000 tons of water in the financial year. (See below pictures)

In order to further improve air quality in the workplace, the Group invested more than HK$3 million during the current financial year in improving of the major foam production line, including collecting emissions for the full circumference of the entire production line, and treating exhaust gas with the advanced UV photolysis catalytic oxidation purification process. (Refer to the picture)

In terms of waste management, during the Review Period, the Group entered into a sewage sludge disposal agreement with an environmental protection company (third party). The treated sludge will be used to produce ceramsite, light brick and other construction materials, which not only saves landfill resources, but reduces the cost of sludge treatment as well.

The Group has been focusing on energy-saving promotion and training, and has established an energy conservation team to promote and initiate the concept of energy-saving at each plant and department during the morning exercises and morning meetings. Staff from the Energy Measurement, Statistics, Management and Operation departments has been periodically instructed on energy management and energy statistics. Core operators of energy-consuming equipments must work in compliance with related certification. Relevant promotional activities have been regularly organized to create a working atmosphere characterized by “energy saving and emissions reduction.”

1.2 Resources Consumption

The Group acknowledged the importance to the operation-wide consumption of energy. So at the time of our establishment of major factories, the Group established an energy measurement and management system with detailed specifications to reduce the consumption of resources. Furthermore, a dedicated energy management organization, the Energy Management Team, was set up in 2012. Under this team’s leadership, strict management and precise measurement have been implemented in the energy consumed in production and non-production systems alike. To execute incentive and constraint mechanisms for energy-saving, the energy conservation team has set up an energy-saving incentive fund to reward teams and individuals who have achieved excellent results in energy management, energy-saving innovations, and exploiting potential in energy-saving work.

Major resource conservation measures taken by the Group in the Review Period are highlighted below.

We have completed Phase I and will further improve machinery renovation: the additional installation of a frequency transformer into the central vacuum-cleaner, cotton filling machines, CNC and other equipments for frequency conversion reconstruction. Based on rated power, 876,000 kwh of electricity is estimated to be saved per year. The Group will commence frequency transformation reconstruction within other production equipment in the near future. At the same time, the Group is constructing an energy-saving lighting system that uses LED to replace the existing lights.

In the financial year of 2015, total electricity consumption of the Group’s four sofa production bases is approximately 34,110,000 kwh, an increase of about 11.88% compared to the same period last year (about 30,500,000 kwh). The major reason for the increase in electricity consumption is the installation of more machineries in factories to further automate the production. Total water consumption is about 677,000 m^3, an increase of about 1.3% compared to the same period last year. The main reason for the increase volume of water consumption is that the scale of production is continuous expanding.

1.3 Environmental Sustainability

The Group has been committed to the protection of natural resources and reduction of waste across its operation, which has become integral to our corporate culture. During the financial year of 2015, the Group has vigorously upgraded its energy-saving technology, most notably through an investment of approximately HK$131.6 million in the construction of solar PV systems at the rooftops located at the Huizhou and Wujiang production bases, with a power generation capacity of approximately 10.5 MW and 6.0 MW respectively. The solar PV system in Huizhou has been completed in early 2015, while the Wujiang project is expected to be completed in June 2015. The completion of the two solar PV systems is expected to reduce the use of external power by 15.1 million kwh in the FY2016, accounting for more than 30% of electricity consumption in the current financial year for these two manufacturing bases. Because of government subsidies for energy conservation and emissions reduction, the Group's production costs are to be further reduced.

(Photo caption) Huizhou Plant rooftop solar panels

2. Operating Practices

The Group's sofa brand "Cheers" was awarded the accolades of "Well-known Trademark of the PRC" and "Chinese Famous Brand," and our products continued to gain consumer recognition. Providing healthy, comfortable, valuable and stylish home products and services to billions of consumers around the world is Man Wah's commitment to consumers, and also the foundation for our constant and robust growth.

2.1 Product Liability

A. Raw material management and control:

In order to ensure the quality of our products, the Group has developed quantifiable acceptance criteria covering all raw materials, developed corresponding acceptance workflow for the properties of different materials, and invested in professional testing equipments.

B. Product quality monitoring:

To ensure that we provide the highest quality products to customers, the Group has developed a set of strict quality management procedures, covering the whole process from supplier selection, materials testing, process control, delivery tests, third-party inspection and certification, after-sales service, to quality tracking. Based on the strict standards of the world's respected third-party testing organizations, the Group has invested in construction of laboratories for raw materials, flame retardant, electronic hardware and finished product testing. The Group has attained ISO9000 quality management system, ISO14001 environmental management system and China Environmental Labeling Product Certifications.

2.2 Supply Chain Management

When selecting suppliers, the Group conducts an on-site assessment of their production capacity, technical capability, quality control systems, production facilities, testing capability and personnel, requiring relevant qualifications and certifications. Only those who pass the assessment can qualify as our suppliers. In addition, suppliers are managed by hierarchies by the Group based on their average monthly purchase amount, and the Group maintains close communication with suppliers, in order to match their production and stocking schedules with the needs of the Group.

2.3 Anti-corruption

The Group has been committed to establishing and consistently improving its internal control system in order to prevent corruption and fraud.

The Company's audit committee and management do not tolerate any corruption and fraud. The values of integrity, impartiality, transparency and responsibility are reflected in the policies and operational procedures of the Group.

In addition, the Group conveys its firm stance against corruption and fraud to its employees, and also includes applicable provisions in the contracts with third party suppliers to explain to them its requirements. The Group's internal audit department conducts an independent audit to to monitor the operation of the system. Seminars are held regularly within the Group to communicate professional knowledge, skills and experience.

To summarize, the Group's firm stance against corruption and fraud is an integral part of its corporate governance, and ensures the assets and interests of shareholders are fully protected.

Report and suggestion boxes are available at the main production base and office, and an incentive system has been developed for effective reporting.

3. Workplace Quality

The Group is committed to providing its staff with a comfortable and efficient working environment, establishing employment guidelines strictly in accordance with regulations of the country or jurisdiction where its facilities are located, focusing on ensuring that employees' health and safety are protected, and offering the staff broad career development paths.

3.1 Health & Safety

In the Review Period, the Group had taken the following measures to protect employees' occupational health and safety:

1. Developed a three-level enrollment and in-service safety training system;

2. Implemented regular arrangements for staff's occupational examination;

3. Required labour protection appliances and safety equipment to be worn or used for those tasks that may involve occupational hazards;

4. Devices for prevention of occupational injuries have been widely used in the production process, for example, infrared detection devices are used on punching machines;

5. Centralized supplier evaluation, procurement and inspection systems have been established for the main ingredients used in staff canteens;

6. Central air conditioners have been installed at all core production areas.

During the FY2015, the accident injury rate within the Group declined, and the number of lost working days due to work-related injuries fell 32.9% compared with FY2014.

3.2 Staff Training

The Group attaches great importance to the cultivation of talents. In addition to the organization of regular on the job training and management training, the Group also continues to implement talent cultivation programs in cooperation with well-known institutions, and has internally set up specialist training courses, academic education classes and professional managers training courses. During the Review Period, training expenses rose to HK$4.27 million, highlights of which are as follows:

(1) For junior staff: 1. offer training classes for production leaders, which classes have cultivated nearly 20 outstanding team leaders during the Review Period and have produced accumulatively more than 500 trained individuals within the past five years; 2. offer production technicians classes, which have trained 120 professional technicians; 3. offer junior college academic classes, which have helped 120 employees to enroll in junior college or undergraduate college academic courses during the Review Period;

(2) For store sales: 1. offer classes to junior business representatives, which classes have trained 1,225 outstanding store sales; 2. offer high-performance team training courses to over 3,000 sales representative from the Group and franchisees; 3. offer store manager training classes, which have helped develop 238 outstanding store managers;

(3) For dealers and certain middle-level executives: offer an EDP class and a mini MBA class in cooperation with the Shenzhen Research Institute of Tsinghua University. A total of 62 employees graduated and obtained certificates from the trainings during the Review Period;

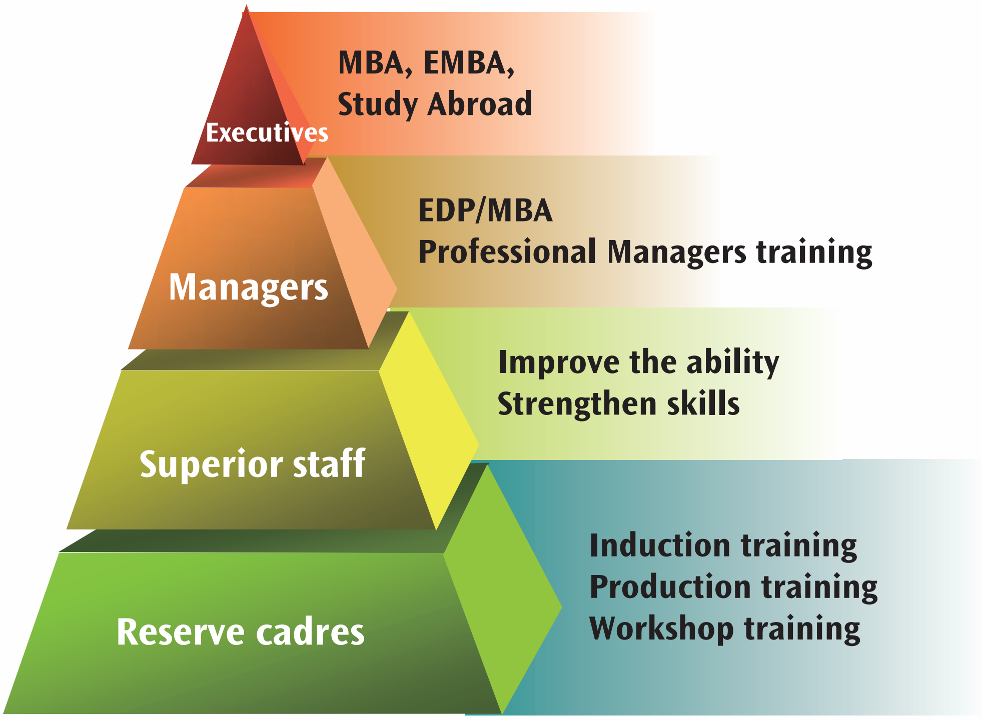
(4) Middle-level talent pool plan

Golden Seed talent pool plan: Since 2011, the Group has recruited outstanding graduates every year from well-known universities through campus recruiting. As of the end of the Review Period, we have offered five cadres reserve classes. Each outstanding college graduate, undergraduate student and junior college student has been provided with a mentor, a tailored career development plan and targeted rotation training;

(5) For elected executives

1. EMBA education: cooperate with domestic and foreign business colleges and select executives to join EMBA courses;

2. Observation and study abroad: During the Review Period, the Group has sent more than 30 executives abroad to observe and study overseas furniture markets, and learn advanced management experiences and techniques;



(6) Education for the children of employees:

In order to reward those employees' children who are admitted to universities, the "Golden Houses Exist in Books – Man Wah Holdings All Staff Education Grants Program," established by and with personal contributions from Dr. Wong Man Li, the Chairman of the Board and president of Man Wah Holdings, has awarded 126 student grants (a total of RMB2 million) to five groups of applicants (119 employees in total) since its founding in May 2010. Among these grants, a total of RMB490,000 has been granted to 31 employees during the Review Period.

3.3 Staff Development and Motivation

The conscientious efforts and support from staff are essential for the long-term development of the Group. The Group has provided employees with broad career promotion paths and has improved the professionalism of its staff through a series of measures, including regular job rotation, on the job training, appropriate authorization, talent review, developing quantitative performance evaluation mechanisms and periodic reviews of management performance at all levels.

In particular, the Group has developed a performance evaluation system for employees and managers to ensure their income is closely linked with output and performance.

The Group has established an option incentive scheme covering all officers above the manager level to determine the number of options to be granted each year based on the results of the performance evaluation. About 22,334,800 warrants have been granted by the Group to 410 officers above manager level during the Review Period.

During the Review Period, the Group has set up the "Excellent Staff for the Year" award to identify, recognize and reward employees or teams for their exceptional dedication to their work and their achievement of outstanding results.

4. Community Involvement

The Group has been actively involved in the community and charitable work, by creating a social concern enterprise culture and supporting groups in need in a variety of ways. In addition to cash and supply donations, we also encourage our employees, customers and even suppliers to participate in various volunteering activities, incorporating social services into the team-building activities. Through such activities, the Group is able to give back to society and at the same time improve the quality and the sense of belonging of its staff.

During the Review Period, the Group donated a total of approximately HK$9,323,000 towards public welfare.

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 improving the efficiency and performance of the Company and its subsidiaries (the "Group") and to safeguarding the interests of its shareholders ("Shareholders"). Set out below are the principles of corporate governance as adopted by the Company during the Review Period.

CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding the interest of shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize effective internal control and accountability to all shareholders.

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 (the "CG Code") to the Listing Rules during the Review Period, save for the deviation from code provisions A.2.1 and A.6.7 which is explained below. The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the CG Code.

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

Under the code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Ong Chor Wei and Mr. Kan Chung Nin, Tony, independent non-executive Directors, could not attend the annual general meeting of the Company held on 3 July 2014 due to other business commitments. The non-executive Director, Mr. Xie Fang, and the independent non-executive Directors, Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson, Mr. Ong Chor Wei and Mr. Kan Chung Nin, Tony, were unable to attend the special general meeting of the Company held on 29 December 2014 due to conflicts with other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under Code include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Review Period, the Board considered the following corporate governance issues:

(i) to review the Terms of Reference and Proceedings of the Board;

(ii) to review the revised Terms of References of the Audit Committee and Remuneration Committee;

(iii) to review the Terms of Reference of the Nomination Committee;

(iv) to review the Shareholders' Communication Policy and Procedures for Shareholders to propose a person for election as a Director;

(v) to review the Policy for the employees to raise concerns about possible improprieties; and

(vi) to review the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

SHAREHOLDERS' MEETINGS

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the Shareholders and for Shareholders' participation. All Shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the Review Period, apart from the annual general meeting held on 3 July 2014 and the special general meeting held on 29 December 2014, the Company has not held any other general meetings.

Attendance records

During the Review Period, the annual general meeting and the special general meeting were held and the attendance records are as follows:

Board		Meetings attended/Eligible to attend	
		Annual General Meeting	Special General Meeting
Executive Directors			
Mr. Wong Man Li *(Chairman)*		1/1	1/1
Ms. Hui Wai Hing		1/1	0/1
Mr. Wang Guisheng		1/1	1/1
Mr. Alan Marnie		1/1	0/1
Mr. Dai Quanfa		1/1	1/1
Ms. Wong Ying Ying	(appointed on 4 February 2015)	0/0	0/0
Mr. Stephen Allen Barr	(resigned on 4 February 2015)	1/1	0/1
Non-executive Director			
Mr. Xie Fang		1/1	0/1
Independent Non-executive Directors			
Mr. Chau Shing Yim, David		1/1	0/1
Mr. Lee Teck Leng, Robson		1/1	0/1
Mr. Ong Chor Wei		0/1	0/1
Mr. Kan Chung Nin, Tony		0/1	0/1

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company has provided funding to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. During the Review Period, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the Review Period is summarized as below:

Name of Director		Reading materials regarding regulatory update and corporate governance matters	Attending seminars/in-house workshops relevant to the Company's business, Listing Rules compliance and risk management
Executive Directors			
Mr. Wong Man Li		✓	✓
Ms. Hui Wai Hing		✓	✓
Mr. Wang Guisheng		✓	✓
Mr. Alan Marnie		✓	✓
Mr. Dai Quanfa		✓	✓
Ms. Wong Ying Ying	(appointed on 4 February 2015)	✓	✓
Mr. Stephen Allen Barr	(resigned on 4 February 2015)	✓	✓
Non-executive Director			
Mr. Xie Fang		✓	✓
Independent non-executive Directors			
Mr. Ong Chor Wei		✓	✓
Mr. Chau Shing Yim, David		✓	✓
Mr. Lee Teck Leng, Robson		✓	✓
Mr. Kan Chung Nin, Tony		✓	✓

BOARD OF DIRECTORS

The Board currently comprises six executive Directors, one non-executive Director 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, the spousal relationship between the executive Directors Mr. Wong Man Li and Ms. Hui Wai Hing, and the family relationship between Mr. Wong Man Li, Ms. Hui Wai Hing and Ms. Wong Ying Ying, as disclosed in each of their respective biographies in the section headed "Directors' Biographies" of this annual report, there are no financial, business, family or other material or relevant relationships among members of the Board and they are independent from each other.

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

Role and function

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

Board meetings

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

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

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

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

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

Attendance records

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

Board		Meetings attended/Eligible to attend
Executive Directors		
Mr. Wong Man Li *(Chairman)*		4/4
Ms. Hui Wai Hing		4/4
Mr. Wang Guisheng		4/4
Mr. Alan Marnie		4/4
Mr. Dai Quanfa		4/4
Ms. Wong Ying Ying	(appointed on 4 February 2015)	0/0
Mr. Stephen Allen Barr	(resigned on 4 February 2015)	4/4
Non-executive Director		
Mr. Xie Fang		4/4
Independent Non-executive Directors		
Mr. Chau Shing Yim, David		4/4
Mr. Lee Teck Leng, Robson		4/4
Mr. Ong Chor Wei		4/4
Mr. Kan Chung Nin, Tony		4/4

Access to information

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

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

Appointments and re-election of Directors

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

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

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

Chairman and Managing Director

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

Non-executive Director

The term of appointment of the Company's non-executive Director ("NED"), Mr. Xie Fang, is from 20 May 2013 to the earliest of (i) the date of the Company's annual general meeting in 2016; (ii) the third anniversary of the service contract dated 20 May 2013; and (iii) any of CDH Fund IV, L.P. and its affiliates holding less than HK$100 million of the convertible bonds due 2018 issued and to be issued by the Company under a subscription agreement dated 17 April 2013 entered into between the Company, CDH W-Tech Limited and ChinaAMC Capital Management Limited. Please refer to the announcements of the Company dated 17 April 2013 and 20 May 2013 for further details.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has currently appointed four independent non-executive Directors for a term of three years. Two of the INEDs, Mr Chau Shing Yim, David and Mr. Ong Chor Wei, have 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 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.

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 59 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 three INEDs, namely, Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson and Mr. Ong Chor Wei, and a NED, namely, Mr. Xie Fang. 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:

- to review the audit plans of our external auditors;
- to review external auditors' reports;
- to review the cooperation given by our officers to the external auditors;
- to review our financial statements before their submission to the Board;
- to review, approve and monitor internal control procedures and risk management systems;
- to review the effectiveness of our internal audit function;
- to review and approve the terms and conditions for all interested person transactions;
- to nominate external auditors for appointment;
- to 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
- to 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 Review Period, the Board had no disagreement with the Audit Committee's view on the re-appointment of the external auditor. The financial statements for the Review Period have been reviewed by the Audit Committee.

During the Review Period, two 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 Review Period and their attendance were as follows:

Audit Committee	Meetings attended/Eligible to attend
Mr. Chau Shing Yim, David *(Chairman)*	2/2
Mr. Lee Teck Leng, Robson	2/2
Mr. Ong Chor Wei	2/2
Mr. Xie Fang	2/2

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, Mr. Chau Shing Yim, David and Mr. Kan Chung Nin, Tony, and two executive Directors of the Company, namely, Mr. Wong Man Li and Mr. Wang Guisheng. The principal duties of the Nomination Committee include, among other things:

- to nominate the Directors having regard to the Directors' contribution and performance;
- to determine on an annual basis whether or not a Director is independent;
- to review the Company's board Diversity policy and the progress on achieving the objectives set for implementing the said policy;
- to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director; and
- to review and assess 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 Review Period, two meetings of the Nomination Committee were 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 Review Period and their attendance were as follows:

Nomination Committee	Meetings attended/Eligible to attend
Mr. Wong Man Li *(Chairman)*	2/2
Mr. Lee Teck Leng, Robson	2/2
Mr. Chau Shing Yim, David	2/2
Mr. Wang Guisheng	2/2
Mr. Kan Chung Nin, Tony	2/2

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, Mr. Chau Shing Yim, David and Mr. Kan Chung Nin, Tony, and two executive Directors of the Company, namely, Mr. Wong Man Li and Mr. Wang Guisheng. 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 Review Period, three meetings of the Remuneration Committee were held. The work done by the Remuneration Committee during the Review Period includes the following:

(i) determining the policy for the remuneration of executive Directors;
(ii) assessing performance of executive Directors; and
(iii) approving the terms of an executive Director's Service Contract.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted a share option scheme and a share award scheme in April 2010 and January 2011, respectively. Both incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's operations.

Details of the remuneration of the Directors of the Company for the Review Period are set out in note 10 to the consolidated financial statements and details of the share option scheme and share award scheme are set out in note 31 to the consolidated financial statements.

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

Remuneration Committee	Meetings attended/Eligible to attend
Mr. Lee Teck Leng, Robson *(Chairman)*	3/3
Mr. Wong Man Li	3/3
Mr. Chau Shing Yim, David	3/3
Mr. Wang Guisheng	3/3
Mr. Kan Chung Nin, Tony	3/3

RISK MANAGEMENT

The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The management of the Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance of open communication and fair disclosure. It is the Company's policy to ensure that all shareholders are equally informed of all major corporate developments.

All shareholders have proper notice of any general meeting of the Company at which the Directors and the committees' members are available to give explanation on any query raised by the shareholders. Major information of the Company could be obtained from the Company's website or financial reports and circulars sent to the shareholders. Any enquiries by the shareholders requiring the Board's attention can also be sent in writing to the Investor Relations Manager of the Company whose contact details are set out in the paragraph headed "Shareholders' rights – (c) Right to put enquiries to the Board" below.

Resolutions put to the vote at the general meetings of the Company shall be decided on a poll, save that the chairman of the meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Procedures for conducting a poll will be explained to the shareholders at each general meeting and questions from shareholders regarding the voting procedures will be answered. The poll results will be posted on the websites of the Stock Exchange and the Company respectively in the manner prescribed under the Listing Rules.

As part of a regular program of investor relations, senior executives may hold briefings or road shows after the results announcement and attend conferences with institutional investors and analysts to engage in two-way communications on Company's performance, objectives and developments. Company visits can be arranged upon specific request.

Shareholders' rights

(a) Right to convene special general meeting

Bye-laws

(i) Bye-law 62 sets out the position under the Bye-laws where a requisition is made by shareholders of the Company (the "Shareholders" and each a "Shareholder"). Bye-law 62 provides that a special general meeting ("SGM") shall be convened on requisition, as provided by the Companies Act (as defined therein), or, in default, may be convened by the requisitionists.

Companies Act

(ii) Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the directors of the Company (the "Directors" and each a "Director") to forthwith proceed duly to convene an SGM by depositing a written requisition at the registered office of the Company.

(iii) The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

(iv) If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

(v) An SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

(b) Right to put forward proposals at general meetings

Companies Act

(i) Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to give notice to the shareholders in respect of any resolution which is intended to be moved at an annual general meeting ("AGM") of the Company or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

(ii) The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:

(aa) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(bb) not less than one hundred Shareholders.

(iii) Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

(iv) Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph (b)(i) above unless:

(aa) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(bb) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph (b)(i) above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

(c) Right to put enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing for the attention of the Investor Relations Manager of the Company whose contact details are as follows:

1st Floor, Wah Lai Industrial Center
10-14 Kwei Tei Street, Fotan
New Territories, Hong Kong

Fax: (852) 2712 0630

Email: ir@manwahgroup.com

The Investor Relations Manager of the Company shall forward the Shareholders' enquiries and concerns to the Board and/or relevant committees of the Board to answer the Shareholders' questions where appropriate.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover has been arranged for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company. Such insurance has also been renewed before 31 March 2015 with a term from 1 April 2015 until 31 March 2016.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of the 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 and processes annually 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.

COMPANY SECRETARY

Mr. Wang Guisheng has been the Company Secretary of the Company since 26 July 2013. Mr. Wang reports to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. Mr. Wang has confirmed that he has taken no less than 15 hours of relevant professional training during the Review Period.

AUDITOR'S REMUNERATION

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

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

Services rendered paid/payable	Fee HK$'000
Statutory audit services	2,330
Non-statutory audit services:	
Review of interim financial information	600
Others	336
	3,266

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 this annual report and the audited consolidated financial statements of the Company for the Review Period.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Bermuda.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries, an associate and a joint venture are set out in notes 39, 18 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 Review Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this annual report.

An interim dividend of HK25.0 cents per Share and a special dividend of HK75.0 cents per Share amounting to approximately HK$983,184,200 were paid to the shareholders of the Company ("Shareholders") during the Review Period. The Directors recommend the payment of a final dividend of HK13.0 cents per Share to the Shareholders on the register of members on Thursday, 16 July 2015, amounting to approximately HK$252,572,000.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2015. The net increase in fair value of investment properties, which has been credited directly to consolidated statement of profit or loss and other comprehensive income, amounted to HK$1,295,000.

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

SHARE CAPITAL

During the Review Period, the Company issued 983,184,200 bonus Shares on the basis of one bonus Share for every existing Share in issue on 7 January 2015 (the "Bonus Issue"). The bonus Shares were credited as fully paid by way of capitalization of an amount of HK$393,273,680 in the share premium account of the Company. In order to allow the Bonus Issue, the authorized share capital of the Company was increased from HK$500,000,000 of HK$2,000,000,000 by creating 3,750,000,000 additional Shares. Details of movements during the Review Period in the share capital of the Company are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

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

	2015	2014
	HK$'000	HK$'000
Contributed surplus	**1,379,830**	1,695,166
Accumulated (losses) gain	**(385,234)**	40,193
	994,596	1,735,359

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

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

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

DIRECTORS

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

Executive Directors:
Mr. Wong Man Li (Chairman)
Ms. Hui Wai Hing
Mr. Wang Guisheng
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying (appointed on 4 February 2015)
Mr. Stephen Allen Barr (resigned on 4 February 2015)

Non-executive Director:
Mr. Xie Fang

Independent Non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Lee Teck Leng, Robson
Mr. Ong Chor Wei
Mr. Kan Chung Nin, Tony

In accordance with bye-law 102 of the Company's bye-laws, Ms. Wong Ying Ying will retire at the forthcoming annual general meeting. In accordance with bye-law 99 of the Company's bye-laws, Mr. Wang Guisheng, Mr. Ong Chor Wei, Mr. Lee Teck Leng Robson and Mr. Xie Fang will retire by rotation. Mr. Wang Guisheng, Mr. Ong Chor Wei, Mr. Lee Teck Leng Robson, Mr. Xie Fang and Ms. Wong Ying Ying all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held in Tuesday, 7 July 2015.

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 SECURITIES

As at 31 March 2015, the interests of the Directors, chief executives and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, 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, underlying shares and debentures of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company[1]
Mr. Wong Man Li	Interest in controlled corporation	1,184,480,800 [2]	60.87%
	Spouse	892,000 [2]	0.05%
	Beneficial owner	1,213,600 [2]	0.06%
Ms. Hui Wai Hing	Beneficial owner	892,000 [3]	0.05%
	Spouse	1,185,694,400 [3]	60.93%
Mr. Wang Guisheng	Beneficial owner	3,827,600 [4]	0.20%
Mr. Alan Marnie	Beneficial owner	4,147,200 [5]	0.21%
Mr. Dai Quanfa	Beneficial owner	1,652,800 [6]	0.08%
Ms. Wong Ying Ying	Beneficial owner	870,000 [7]	0.04%

Notes:

1. The percentage of the Company's issued share capital is based on the 1,946,064,400 Shares issued as at 31 March 2015.

2. These 1,184,480,800 Shares are beneficially owned by Man Wah Investments Limited which, in turn, is owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong is therefore deemed to be interested in the entire 1,184,480,800 Shares held by Man Wah Investments Limited. Mr. Wong is also the sole director of Man Wah Investments Limited. Mr. Wong also holds 272,000 Shares and 941,600 Share Options granted to him under the Share Option Scheme respectively. Upon exercise of the Share Options, Mr. Wong will acquire an aggregate of 1,213,600 Shares. Mr. Wong is also deemed, under Part XV of the SFO, to be interested in the 892,000 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, has a long position.

3. These 892,000 Shares represent the 192,000 Shares and the 700,000 Share Options granted to Ms. Hui under the Share Option Scheme that are exercisable respectively. Upon exercise of the Share Options, Ms. Hui will acquire an aggregate of 892,000 Shares. Ms. Hui is also deemed, under Part XV of the SFO, to be interested in the 1,185,694,400 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui is interested (i.e. 1,213,600 Shares as beneficial owner and 1,184,480,800 Shares as interest in a controlled corporation).

4. This figure represents the aggregate number of 624,800 Shares held by Mr. Wang and the 3,202,800 Share Options granted to Mr. Wang under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wang will acquire an aggregate of 3,827,600 Shares.

5. This figure represents the aggregate number of 834,400 Shares held by Mr. Marnie and 3,312,800 Share Options granted to Mr. Marnie under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Marnie will acquire an aggregate of 4,147,200 Shares.

6. This figure represents the aggregate number of 303,200 Shares held by Mr. Dai and 1,349,600 Share Options granted to Mr. Dai under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Dai will acquire an aggregate of 1,652,800 Shares.

7. This figure represents the aggregate number of 195,200 Shares held by Ms. Wong and 674,800 Share Options granted to Ms. Wong under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Wong will acquire an aggregate of 870,000 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 ordinary 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 2015, 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 Review Period.

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 2015, 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 owner	1,184,480,800	60.87%
CDH W-Tech Limited ("CDH")[2]	Beneficial owner	169,696,800	8.72%
Miracle Eagle Holdings Limited[3]	Interest of a controlled corporation	169,696,800	8.72%

Notes:

1. The percentage of the Company's issued share capital is based on the 1,946,064,400 Shares issued as at 31 March 2015.

2. The Company issued 5-year convertible bonds in the principal amount of HK$700,000,000 to CDH ("Tranche I Bonds") on 20 May 2013, and 5-year convertible bonds in the principal amount of HK$150,000,000 to ChinaAMC MW Limited ("ChinaAMC"), as the nominee of ChinaAMC Capital Management Limited ("Tranche II Bonds") on 27 June 2013. The Tranche I Bonds and Tranche II Bonds (collectively the "Bonds") carry an interest of 5% per annum which was payable semi-annually in arrears.

   At any time between the issue dates of the Bonds and 20 May 2018, the holders of the Bonds have the right to convert all or part of the Bonds into ordinary shares of the Company. Based on an initial conversion price (subject to adjustment) of HK$8.25, upon full conversion, the Tranche I Bonds may be converted into approximately 84,848,484 Shares and the Tranche II Bonds may be converted into approximately 18,181,818 Shares. Unless previously redeemed or purchased and cancelled, the Company may at any time between the issue date of the Bonds and 20 May 2018 require a portion of the Bonds to be converted into Shares upon the occurrence of certain trigger events as specified in the terms governing the Bonds. On the maturity date of 20 May 2018, unless previously redeemed, converted, purchased and cancelled, the Company will redeem the Bonds at its principal amount together with accrued and unpaid interest.

   CDH has its conversion right to convert 84,848,484 Shares of principal amount HK$700,000,000 under the Tranche I Bonds. CDH has exercised an aggregate of 84,848,400 Shares of principal amount of HK$699,999,300. On 19 September 2013, 25 October 2013, 5 December 2013 and 17 October 2014, the Company has issued and allotted 8,484,800 new Shares, 6,788,000 new Shares, 39,030,400 new Shares and 30,545,200 new Shares to CDH respectively. The balance of the Tranche I Bonds HK$700 was refunded to CDH. As at 31 March 2015, there was no outstanding principal amount in the Tranche I Bonds.

   ChinaAMC has exercised its conversion right to convert 18,181,818 shares of principal amount HK$150,000,000 under the Tranche II Bonds. ChinaAMC has exercised an aggregate of 18,181,600 Shares of principal amount of HK$149,998,200. On 9 July 2013, 19 September 2013, 25 October 2013 and 5 December 2013, the Company has issued and allotted 2,727,600 new Shares, 3,000,000 new Shares, 6,000,000 new Shares and 6,454,000 new Shares to ChinaAMC respectively. The balance of the Tranche II Bonds was refunded to ChinaAMC. As at 31 March 2015, there was no outstanding principal amount in the Tranche II Bonds.

3. Miracle Eagle Holdings Limited owns the entire issued capital of CDH and is therefore deemed to have interests in the Shares and underlying Shares of the Company in which CDH is interested.

Save as disclosed above, as at 31 March 2015, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying Shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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 4.967% 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 2015, since the adoption of the Share Option Scheme and as adjusted with effect from 14 January 2015, as a result of the completion of the Bonus Issues, the total number of Share Options the Company granted to the employees and some of the Directors and their connected persons and amounted to 79,304,200 Share Options (including the Share Options lapsed/cancelled). As at the date of this report, the number of Share Options that could still be granted under the Share Option Scheme was 17,204,600 Share Options representing 0.886% of the 1,942,864,400 Shares in issue as at 20 May 2015, 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 Review Period were as follows:

						Number of Share Options[1]					
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share HK$	Adjusted Exercise price per share HK$	Outstanding at 1.4.2014	Granted during the FY2015	Cancelled/ Lapsed FY2015	Exercised during the FY2015	Adjustment on 14 January 2015	Outstanding at 31.3.2015
Mr. Wong Man Li	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59	136,000	–	–	(272,000)	136,000	–
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59	136,000	–	–	–	136,000	272,000
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59	136,000	–	–	–	136,000	272,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72			198,800	–	–	–	198,800
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72			198,800	–	–	–	198,800
Ms. Hui Wai Hing	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59	96,000	–	–	(192,000)	96,000	–
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59	96,000	–	–	–	96,000	192,000
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59	96,000	–	–	–	96,000	192,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72			158,000	–	–	–	158,000
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72			158,000	–	–	–	158,000
Mr. Stephen Allen Barr	18.10.2010	18.10.2010 – 17.4.2012	18.4.2012 – 17.10.2020	10.18	5.09	2,100,000	–	–	(4,200,000)	2,100,000	–
		18.10.2010 – 17.10.2015	18.10.2015 – 17.10.2020	10.18	5.09	2,000,000	–	(4,000,000)	–	2,000,000	–
	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	4.28	300,000	–	–	(600,000)	300,000	–
	31.5.2013	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	8.16	4.08	7,800,000	–	(15,600,000)	–	7,800,000	–
	21.5.2014	21.5.2014 – 20.5.2016	21.5.2016 – 3.3.2020	11.88	5.94	–	2,128,400	(4,256,800)	–	2,128,400	–

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share HK$	Adjusted Exercise price per share HK$	Number of Share Options[1]					
						Outstanding at 1.4.2014	Granted during the FY2015	Cancelled/ Lapsed FY2015	Exercised during the FY2015	Adjustment on 14 January 2015	Outstanding at 31.3.2015
Mr. Wang Guisheng	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	4.28	200,000	–	–	(200,000)	–	–
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	2.36	54,000	–	–	(54,000)	–	–
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	2.36	54,000	–	–	(108,000)	54,000	–
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	2.36	54,000	–	–	–	54,000	108,000
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	2.36	54,000	–	–	–	54,000	108,000
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59	258,400	–	–	(516,800)	258,400	–
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59	257,600	–	–	–	257,600	515,200
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59	257,600	–	–	–	257,600	515,200
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	7.28	255,600	–	–	–	255,600	511,200
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	7.28	255,600	–	–	–	255,600	511,200
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72			467,200	–	–	–	467,200
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72			466,800	–	–	–	466,800
Mr. Alan Marnie	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	4.28	300,000	–	–	(300,000)	–	–
	31.5.2013	31.5.2013 – 30.5.2015	31.5.2015 – 3.3.2020	8.16	4.08	706,400	–	–	–	706,400	1,412,800
	21.5.2014	21.5.2014 – 20.5.2016	21.5.2016 – 20.5.2018	11.88	5.94	–	950,000	–	–	950,000	1,900,000
Mr. Dai Quanfa	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	4.28	120,000	–	–	(120,000)	–	–
	8.2.2012	8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	2.36	26,400	–	–	(52,800)	26,400	–
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	2.36	26,400	–	–	–	26,400	52,800
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	2.36	26,000	–	–	–	26,000	52,000
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59	125,200	–	–	(250,400)	125,200	–
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59	124,800	–	–	–	124,800	249,600
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59	124,800	–	–	–	124,800	249,600
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	7.28	117,200	–	–	–	117,200	234,400
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	7.28	117,200	–	–	–	117,200	234,400
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72			138,400	–	–	–	138,400
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72			138,400	–	–	–	138,400
Ms. Wong Ying Ying	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	2.36	10,800	–	–	(10,800)	–	–
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	2.36	10,800	–	–	(21,600)	10,800	–
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	2.36	10,800	–	–	–	10,800	21,600
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	2.36	10,800	–	–	–	10,800	21,600
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59	70,800	–	–	(141,600)	70,800	–
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59	70,400	–	–	–	70,400	140,800
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59	70,400	–	–	–	70,400	140,800
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	7.28	44,000	–	–	–	44,000	88,000
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	7.28	44,000	–	–	–	44,000	88,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72			87,200	–	–	–	87,200
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72			86,800	–	–	–	86,800

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share HK$	Adjusted Exercise price per share HK$	Number of Share Options[1] Outstanding at 1.4.2014	Granted during the FY2015	Cancelled/ Lapsed FY2015	Exercised during the FY2015	Adjustment on 14 January 2015	Outstanding at 31.3.2015
Other employees	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	8.55	4.28	2,055,000	–	(50,000)	(2,025,000)	340,000	320,000
	8.2.2012	8.2.2012 – 7.2.2014	8.2.2014 – 7.2.2016	4.72	2.36	190,800	–	–	(190,800)	–	–
		8.2.2012 – 7.2.2015	8.2.2015 – 7.2.2017	4.72	2.36	1,218,800	–	(88,800)	(2,260,000)	1,130,000	–
		8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	4.72	2.36	1,218,800	–	(128,800)	–	1,130,000	2,220,000
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	4.72	2.36	1,180,400	–	(126,000)	–	1,094,400	2,148,800
	1.2.2013	1.2.2013 – 31.1.2015	1.2.2015 – 31.1.2017	7.17	3.59	3,980,800	–	(220,400)	(7,520,800)	3,760,400	–
		1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	7.17	3.59	3,883,600	–	(390,400)	–	3,670,000	7,163,200
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	7.17	3.59	3,883,200	–	(390,400)	–	3,669,600	7,162,400
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	14.56	7.28	3,311,600	–	(353,200)	–	3,048,800	6,007,200
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	14.56	7.28	3,365,600	–	(361,600)	–	3,096,000	6,100,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72		–	8,624,800	(50,000)	–	–	8,574,800
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72		–	8,533,200	(49,600)	–	–	8,483,600
						41,042,600	22,334,800	(26,066,000)	(19,036,600)	40,086,800	58,361,600
Number of Share Options exercisable at 31 March 2015											320,000

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, (iv) 8 February 2012, i.e. on 7 February 2012 was HK$4.20, (v) 1 June 2012, i.e on 31 May 2012 was HK$3.37, (vi) 1 February 2013, i.e. on 31 January 2013 was HK$7.14, (vii) 31 May 2013, i.e. on 30 May 2013 was HK$8.22, (viii) 22 January 2014, i.e. on 21 January 2014 was HK$14.32, (ix) 21 May 2014, i.e. on 20 May 2014 was HK$12.20 and (x) 10 February 2015, i.e. on 9 February 2015 was HK$6.41.

3. Share options under each grant are subject to the restrictions that up to 50% and 100% of the total options granted will be exercisable during the period of 18th and 60th months respectively from the date of acceptance of the grant of options by the relevant grantees.

4. The weighted average closing price immediately before the dates on which the options were exercised was HK$3.86.

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 and employees of the Group 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. Please refer to the Company's announcement dated 31 January 2011 for further information on the Share Award Scheme.

As at 31 March 2015, the Share Award Scheme remained in place. There were no Shares granted by the Company to employees of the Company and Directors pursuant to the Share Award Scheme during the Review Period.

Given that all distributions under the Share Award Scheme for the past financial year have been made, no Shares were held by the trustee of the Share Award Scheme as at 31 March 2015.

CONFIRMATION OF INDEPENDENCE BY 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 that all of the independent non-executive Directors are independent.

CONVERTIBLE BONDS

On 17 April 2013, the Company, CDH and ChinaAMC Capital Management Limited, a company incorporated in Cayman Islands with limited liability ("Huaxia") entered into a subscription agreement, pursuant to which CDH and Huaxia had severally agreed to subscribe for the Tranche I Bonds (in the principal amount of HK$700,000,000) and Tranche II Bonds (in the principal amount of HK$150,000,000) respectively. The Tranche I Bonds were issued on 20 May 2013 and the Tranche II Bonds were issued on 27 June 2013. The Bonds entitled the holders to convert the Bonds into ordinary shares of the Company at a conversion price of HK$8.25 per share (subject to adjustment) at any time between the issue dates of the Bonds and 20 May 2018.

The Directors considered that issue of the Bonds represented an opportunity to broaden the capital base of the Company and to raise capital for the development of the core sofas business as well as working capital to fund other business opportunities should the occasion arise. The investment by two established institutional investors in the unsecured unsubordinated convertible bond of the Company reflected the confidence of the investors in the Company. The Company can also benefit from the extensive business networks of the holders of the Bonds.

The initial conversion price (subject to adjustment) was HK$8.25 per share, which represented (i) a premium of approximately 19.22% over the closing price of the shares as quoted on the Stock Exchange on 17 April 2013, being HK$6.92 per share, (ii) a premium of approximately 17.86% to the five-day average closing price of the Shares over the five trading days up to and including 17 April 2013, and (iii) a premium of approximately 18.06% to the ten-day average closing price of the Shares over the ten trading days up to and including 17 April 2013. The initial conversion price was determined after arm's length negotiations between the parties with reference to the prevailing market price of the shares. The net price of each conversion share to the Company, based on the net proceeds of approximately HK$849,500,000 and the estimated 103,030,302 conversion shares in aggregate under the Bonds, is approximately HK$8.245.

As at 31 March 2015, CDH and ChinaAMC (as Huaxia's nominee to subscribe for the Tranche II Bonds) had exercised their bonds into 84,848,400 ordinary shares and 18,181,600 ordinary shares respectively, the nominal value of which were HK$33,939,360 and HK$7,272,640 respectively. All such shares were issued at HK$8.25 per share. As at 31 March 2015, there was no outstanding amount under the Tranche I Bonds and the Tranche II Bonds.

By 31 March 2015, part of the net proceeds, being approximately HK$769,725,000, had been applied as to approximately HK$443,700,000 for construction of factory buildings in China and related expenditure on land use rights, approximately HK$194,218,000 for procurement of machineries, approximately HK$20,200,000 for setting up a fleet of trucks in China for the transportation of the Group's products and approximately HK$111,607,000 for advertising, promotion and brand building. The remaining net proceeds of approximately HK$79,775,000 have been earmarked to fund the Group's possible further expansion of production facilities, procurement of production machineries, further investment in its truck fleet in China, advertising, promotion and brand building, and working capital requirements (as the case may be).

As at the date of this annual report, all of the Bonds have been fully converted and/or refunded (as the case may be), and there was no outstanding Bonds existing. Taking into account all conversions of the Bonds, a total of 103,030,000 ordinary shares were issued, the nominal value of which was HK$41,212,000 and the net price of each conversion share, based on the net proceeds of approximately HK$849,500,000 and the 103,030,000 conversion shares, is approximately HK$8.245. Any nominal principal amounts not converted so as to facilitate the issue of shares in board lots were refunded in cash.

Particulars of the Bonds as at 31 March 2015 are set out in note 28 to the condensed consolidated financial statements. For further details of the Bonds, please refer to the announcements of the Company dated 17 April 2013, 20 May 2013, 27 June 2013 and 17 October 2014.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, the Company and the Group had continuing connected transactions, certain details of which have been disclosed in the prospectus of the Company dated 18 March 2010 and note 36 to the consolidated financial statements. Such continuing connected transaction are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules. 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 had a material interest, whether directly and indirectly, subsisted at the end of 31 March 2015 or at any time during the Review Period.

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

During the Review Period, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 26.3% and 32.1% of the total revenue and purchases for the year, respectively. The Group's largest supplier accounted for around 11.0% of the total purchase for the year.

At no time during the Review Period did a Director, a close 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

Details of the retirement benefits schemes are set out in note 35 to the consolidated financial statements.

DONATIONS

During the Review Period, the Group made charitable and other donations amounting to approximately HK$9,323,000.

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 Review Period, the Company repurchased a total of 40,000,000 ordinary shares of the Company at an aggregate purchase price of HK$272,065,668 on The Stock Exchange of Hong Kong Limited. 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$)	Lowest (HK$)	Aggregate purchase price (HK$)
February 2015	10,000,000	6.71	6.30	66,025,256
March 2015	30,000,000	7.67	6.29	206,040,412
Total	40,000,000			272,065,668
			Total expenses on shares repurchased	883,886
			Total	272,949,554

The 36,800,000 ordinary shares out of the 40,000,000 repurchased ordinary shares were cancelled before 31 March 2015. 3,200,000 ordinary shares were cancelled on 9 April 2015. 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 general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 3 July 2014, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee and the employees' emoluments are determined 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 51 to 55 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
20 May 2015

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 61 to 128, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other 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 Bermuda Companies Act, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of affairs of the Group as at 31 March 2015, and of the Group's financial performance 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
20 May 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	**6,554,811**	5,991,060
Cost of goods sold		**(4,221,985)**	(3,860,027)
Gross profit		**2,332,826**	2,131,033
Other income		**320,372**	286,369
Other gains and losses	6	**(7,704)**	69,542
Selling and distribution expenses		**(1,012,242)**	(972,706)
Administrative expenses		**(351,976)**	(338,568)
Share of profit of a joint venture		**1,075**	8,877
Share of (loss) profit of an associate		**(1,020)**	12,314
Finance costs	7	**(22,594)**	(43,160)
Profit before income tax		**1,258,737**	1,153,701
Income tax expense	8	**(174,799)**	(167,373)
Profit for the year	9	**1,083,938**	986,328
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**7,099**	(29,632)
Reclassification of translation reserve upon disposal of subsidiaries		**–**	535
Items that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment		**2,845**	–
Total comprehensive income for the year		**1,093,882**	957,231
Profit for the year attributable to:			
Owners of the Company		**1,075,159**	976,965
Non-controlling interest		**8,779**	9,363
		1,083,938	986,328
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,085,032**	948,061
Non-controlling interest		**8,850**	9,170
		1,093,882	957,231
Earnings per share	11		
Basic (HK cents) (restated)		**55.66**	53.64
Diluted (HK cents) (restated)		**54.55**	51.14

Consolidated Statement of Financial Position

At 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,987,681**	1,606,740
Investment properties	14	**53,500**	17,200
Lease premium for land	15	**534,323**	542,855
Intangible assets	16	**626**	852
Interest in a joint venture	17	**221**	10,365
Interest in an associate	18	**–**	12,318
Loan to an associate	18	**–**	56,539
Available-for-sale investment	19	**3,748**	3,740
Deferred tax assets	20	**1,731**	2,881
Refundable earnest money paid for lease premium for land		**7,973**	4,216
Deposits paid for acquisition of property, plant and equipment		**102,907**	53,115
		2,692,710	2,310,821
Current assets			
Inventories	23	**781,231**	701,959
Trade receivables	24	**622,052**	500,897
Other receivables and prepayments	24	**215,404**	214,930
Lease premium for land	15	**12,109**	12,028
Derivative financial instruments	22	**4,067**	23,103
Tax recoverable		**1,372**	996
Structured deposits	21	**165,059**	–
Restricted bank balances	25	**2,698**	2,929
Bank balances and cash	25	**1,599,028**	2,362,450
		3,403,020	3,819,292
Current liabilities			
Trade payables	26	**280,647**	290,472
Other payables and accruals	26	**371,439**	357,227
Unsecured borrowings	27	**937,912**	537,870
Derivative financial instruments	22	**3,006**	3,796
Convertible bonds – current portion	28	**–**	5,218
Tax payable		**45,327**	45,970
		1,638,331	1,240,553
Net current assets		**1,764,689**	2,578,739
Total assets less current liabilities		**4,457,399**	4,889,560

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	20	**5,068**	4,877
Convertible bonds – non-current portion	28	**–**	251,412
Government grant receipt in advance	29	**–**	130,960
		5,068	387,249
		4,452,331	4,502,311
Capital and reserves			
Share capital	30	**778,426**	380,039
Reserves		**3,617,324**	4,074,541
Equity attributable to owners of the Company		**4,395,750**	4,454,580
Non-controlling interest		**56,581**	47,731
		4,452,331	4,502,311

The consolidated financial statements on pages 61 to 128 were approved and authorised for issue by the Board of Directors on 20 May 2015 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 2015

	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$'000 (Note ii)	Statutory reserve HK$'000 (Note iii)	Translation reserve HK$'000	Revaluation surplus HK$'000	Shares held under share award scheme HK$'000	Share award scheme reserve HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000 (note 28)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2013	356,412	–	1,248,263	(16,132)	(3,944)	80,146	178,286	–	(6,476)	2,891	19,942	–	1,570,624	3,430,012	38,561	3,468,573
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	976,965	976,965	9,363	986,328
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(29,439)	–	–	–	–	–	–	(29,439)	(193)	(29,632)
Reclassified on disposal of subsidiaries	–	–	–	–	–	–	535	–	–	–	–	–	–	535	–	535
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(28,904)	–	–	–	–	–	976,965	948,061	9,170	957,231
Repurchase of shares	(6,129)	–	(155,034)	–	–	–	–	–	–	–	–	–	–	(161,163)	–	(161,163)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	437	15,855	–	–	16,292	–	16,292
Recognition of equity component of convertible bonds (note 28)	–	–	–	–	–	–	–	–	–	–	–	12,245	–	12,245	–	12,245
Issue of shares upon exercise of share options	762	–	10,238	–	–	–	–	–	–	–	(1,936)	–	–	9,064	–	9,064
Issue of shares upon conversion of convertible bonds (note 28)	28,994	–	569,594	–	–	–	–	–	–	–	–	(11,590)	–	586,998	–	586,998
Transfer to PRC statutory reserves	–	–	–	–	–	45,243	–	–	–	–	–	–	(45,243)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(386,929)	(386,929)	–	(386,929)
At 31 March 2014	380,039	–	1,673,061	(16,132)	(3,944)	125,389	149,382	–	(6,476)	3,328	33,861	655	2,115,417	4,454,580	47,731	4,502,311
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	1,075,159	1,075,159	8,779	1,083,938
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	7,028	–	–	–	–	–	–	7,028	71	7,099
Increase in fair value of property, property, plant and equipment	–	–	–	–	–	–	–	2,845	–	–	–	–	–	2,845	–	2,845
Total comprehensive income for the year	–	–	–	–	–	–	7,028	2,845	–	–	–	–	1,075,159	1,085,032	8,850	1,093,882
Bonus issue	393,274	–	(393,274)	–	–	–	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	(14,720)	(1,280)	(256,950)	–	–	–	–	–	–	–	–	–	–	(272,950)	–	(272,950)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	11,834	–	–	11,834	–	11,834
Lapsed of share options	–	–	–	–	–	–	–	–	–	–	(13,552)	–	13,552	–	–	–
Issue of shares upon exercise of share options	7,615	–	94,973	–	–	–	–	–	–	–	(18,664)	–	–	83,924	–	83,924
Issue of shares upon conversion of convertible bonds (note 28)	12,218	–	239,915	–	–	–	–	–	–	–	–	(655)	–	251,478	–	251,478
Shares vested under share award scheme	–	–	–	–	–	–	–	–	3,328	(3,328)	–	–	–	–	–	–
Disposal of shares under share award scheme	–	–	–	–	–	–	–	–	2,700	–	–	–	–	2,700	–	2,700
Transfer to PRC statutory reserves	–	–	–	–	–	56,912	–	–	–	–	–	–	(56,912)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(1,220,848)	(1,220,848)	–	(1,220,848)
At 31 March 2015	778,426	(1,280)	1,357,725	(16,132)	(3,944)	182,301	156,410	2,845	(448)	–	13,479	–	1,926,368	4,395,750	56,581	4,452,331

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 can be applied either in setting off the accumulated losses or increasing capital.

(iv) Treasury shares represent the Company's ordinary shares repurchased prior to 31 March 2015 but not yet cancelled. During the year ended 31 March 2015, 40,000,000 ordinary shares of HK$0.40 each of the Company were repurchased at prices ranging from HK$6.29 to HK$7.67 per share. 36,800,000 shares were cancelled. The remaining 3,200,000 shares were recognised as treasury shares at the end of the reporting period and were cancelled on 9 April 2015 subsequently.

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**1,258,737**	1,153,701
Adjustments for:		
Amortisation of intangible assets	**228**	231
Depreciation	**150,845**	142,223
Equity-settled share-based payments expense	**11,834**	15,855
Expense recognised in respect of share award scheme	**–**	437
Fair value gain on investment properties	**(1,295)**	(800)
Finance costs	**22,594**	43,160
(Reversal of) allowance for inventories	**(1,584)**	3,679
Impairment loss on trade and other receivables	**5,278**	1,262
Impairment loss on property, plant and equipment	**15**	6,731
Interest income	**(2,185)**	(2,082)
Dividend income from an available-for-sale investment	**(348)**	–
Income on structured deposits	**(121,549)**	(105,771)
Gain on changes in fair value of derivative financial instruments – net	**–**	(83,967)
Loss on disposal of property, plant and equipment	**1,805**	26
Release of lease premium for land	**11,859**	11,420
Loss on disposal of an associate	**1,335**	–
Loss on disposal of subsidiaries	**1,165**	3,003
Share of profit of a joint venture	**(1,075)**	(8,877)
Share of loss (profit) of an associate	**1,020**	(12,314)
Government grant recognised in other income	**(145,005)**	(128,785)
Operating cash flows before movements in working capital	**1,193,674**	1,039,132
Increase in inventories	**(85,041)**	(77,196)
Increase in trade receivables	**(126,057)**	(133,241)
Increase in other receivables and prepayments	**(5,408)**	(18,197)
Decrease in derivative financial instruments	**18,253**	89,555
(Decrease) increase in trade payables	**(8,064)**	36,349
(Decrease) increase in other payables and accruals	**(5,794)**	70,405
Proceeds from disposal of shares under share award scheme	**2,700**	–
Cash generated from operations	**984,263**	1,006,807
Interest paid	**(27,746)**	(37,667)
Interest received	**2,185**	2,082
Income tax paid	**(169,108)**	(135,478)
NET CASH FROM OPERATING ACTIVITIES	**789,594**	835,744

	Note	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of structured deposits		**13,510,823**	11,722,813
Investment on structured deposits		**(13,554,333)**	(11,617,042)
Purchase of property, plant and equipment		**(600,182)**	(236,462)
Deposits paid for acquisition of property, plant and equipment		**(49,292)**	(37,814)
Purchase of investment properties		**(11,605)**	–
Placement of restricted bank balances		**(4,572)**	(2,054)
Payment of refundable earnest money paid for lease premium for land		**(3,748)**	–
Payment of lease premium for land		**(2,232)**	(96,072)
Proceeds received from disposal of an associate		**66,502**	–
Government grant received		**62,396**	82,349
Dividend received from a joint venture		**14,219**	3,233
Withdrawal in restricted bank balances		**4,803**	5,092
Proceeds from disposal of property, plant and equipment		**2,560**	5,932
Proceeds from disposal of subsidiaries	32	**2,475**	869
Dividend received from an available-for-sale investment		**348**	–
Loan to an associate		**–**	(37,499)
NET CASH USED IN INVESTING ACTIVITIES		**(561,838)**	(206,655)
FINANCING ACTIVITIES			
New borrowings raised		**1,205,954**	587,630
Proceeds from issue of shares upon exercise of share options		**83,924**	9,064
Dividends paid		**(1,220,848)**	(386,929)
Repayment of borrowings		**(806,214)**	(795,516)
Repurchase of shares		**(272,950)**	(161,163)
Proceeds from issue of convertible bonds		**–**	850,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,010,134)**	103,086
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(782,378)**	732,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,362,450**	1,655,439
Effect of foreign exchange rate changes		**18,956**	(25,164)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,599,028**	2,362,450

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 owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, a joint venture and an associate are set out in notes 39, 17 and 18 respectively.

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

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements of the Company are presented in Hong Kong dollars ("HKD") 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")

(i) New and revised IFRSs effective in the current year

The Group has applied the following new and revised IFRSs issued by International Accounting Standards Board for the first time in the current year:

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

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

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

(ii) New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017.

4 Effective for annual periods beginning on or after 1 July 2014.

5 Effective for annual periods beginning on or after 1 January 2016.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company anticipate that, except as described below, the application of the above new and revised IFRSs will have no material impact on the results and the financial position of the Group.

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

(ii) New and revised IFRSs issued but not yet effective – continued

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for hedge accounting.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are 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 directors anticipate that the adoption of IFRS 9 in the future may have an impact on the amount reported in respect of the Group's available-for-sale investment. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange 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 that are measured at fair values at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES – continued

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group entity herein.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in associates and joint ventures – continued

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) 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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owned-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation surplus. On the subsequent sale or retirement of the asset, the relevant revaluation surplus will be transferred directly to retained profits.

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.

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. Gains or losses arising from changes in the fair value of investment properties 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 property (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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties – 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 leases 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.

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 as 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

Research and development expenditure – 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 immediately in profit or loss.

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 immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt 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, loan to an associate, structured deposits, restricted bank balances and bank balances and cash) carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently, 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 for export customers and 180 days for high speed train manufactures, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Debt 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 an entity 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 (i.e. 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 or 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.

Other financial liabilities

Other financial liabilities (including trade and other payables and unsecured borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Convertible bonds – continued

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

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

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

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 is recognised in profit or loss.

The Group derecognises financial liabilities, when, and only when, the Group's obligations are discharged, cancelled or expire. 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.

For shares of the Company granted under the Share Award Scheme (as defined in note 31), 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.

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

Inventories

Inventories are stated at the lower of costs and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 bedding products 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 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.

Dividend income from investments is recognised when shareholders' rights to received payment have been established (provide that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the amounting policy for leasing above.

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 period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

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.

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 before income tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and 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, associates and 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 entities are translated into the presentation currency of the Group (i.e. HKD) 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).

4. CRITICAL ACCOUNTING JUDGMENTS AND 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 judgments, 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.

Key sources of estimation uncertainty

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 and bills 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 2015, the carrying amount of trade and bills receivables is HK$622,052,000 (2014: HK$500,897,000).

Allowance for inventories

The management of the Group reviews its inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in production or for future sale. 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 2015, the carrying amount of inventories is HK$781,231,000, net of allowance for inventories of HK$8,186,000 (2014: carrying amount of HK$701,959,000, net of allowance for inventories of HK$9,768,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see above), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Recognition of deferred taxation

At 31 March 2015, the Group provided for deferred tax liabilities of approximately HK$3,166,000 (2014: 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 unused tax losses of approximately HK$103,259,000 (2014: HK$110,890,000) 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 in the normal course of business, net of discounts, 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 Group's business focused on the location of customers.

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

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

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

5. REVENUE AND SEGMENT INFORMATION – continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, dividend income from an available-for-sale investment, net exchange gain/loss, fair value gain on investment properties, net gain on changes in fair value of derivative financial instruments, finance costs, loss on disposal of subsidiaries, loss on disposal of an associate, central administrative costs and directors' emoluments, share of profit of a joint venture and share of profit (loss) of an associate. 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 2015

	North America market HK$'000	Europe and other overseas markets HK$'000	China market HK$'000	Total HK$'000
REVENUE				
External sales	3,562,469	925,926	2,066,416	6,554,811
RESULTS				
Segment results	532,950	154,501	533,101	1,220,552
Interest income				2,185
Income on structured deposits				121,549
Rental income				1,420
Dividend income from an available-for-sale investment				348
Exchange gain – net				599
Fair value gain on investment properties				1,295
Loss on disposal of subsidiaries				(1,165)
Loss on disposal of an associate				(1,335)
Finance costs				(22,594)
Central administrative costs and directors' emoluments				(64,172)
Share of profit of a joint venture				1,075
Share of loss of an associate				(1,020)
Profit before income tax				1,258,737

5. REVENUE AND SEGMENT INFORMATION – continued

For the year ended 31 March 2014

	North America market HK$'000	Europe and other overseas markets HK$'000	China market HK$'000	Total HK$'000
REVENUE				
External sales	3,286,858	946,634	1,757,568	5,991,060
RESULTS				
Segment results	462,548	147,838	460,179	1,070,565
Interest income				2,082
Income on structured deposits				105,771
Rental income				641
Exchange loss – net				(4,203)
Fair value gain on investment properties				800
Gain on changes in fair value of derivative financial instruments – net				83,967
Loss on disposal of subsidiaries				(3,003)
Finance costs				(43,160)
Central administrative costs and directors' emoluments				(80,950)
Share of profit of a joint venture				8,877
Share of profit of an associate				12,314
Profit before income tax				1,153,701

5. REVENUE AND SEGMENT INFORMATION – continued

Other information:

	North America market HK$'000	Europe and other overseas markets HK$'000	China market HK$'000	Total HK$'000
Amounts included in the measure of segment result:				
For the year ended 31 March 2015				
Loss on disposal of property, plant and equipment	**839**	**333**	**633**	**1,805**
Depreciation and amortisation	**56,639**	**16,418**	**78,016**	**151,073**
Release of lease premium for land	**740**	**451**	**10,668**	**11,859**
Impairment loss on trade and other receivables	**99**	**756**	**4,423**	**5,278**
Impairment loss on property, plant and equipment	**12**	**3**	**–**	**15**
(Reversal of) allowance for inventories	**(1,596)**	**(385)**	**397**	**(1,584)**
For the year ended 31 March 2014				
Loss (gain) on disposal of property, plant and equipment	143	54	(171)	26
Depreciation and amortisation	57,042	17,428	67,984	142,454
Release of lease premium for land	1,796	517	9,107	11,420
Impairment loss on trade receivables	91	–	1,171	1,262
Impairment loss on property, plant and equipment	5,226	1,505	–	6,731
(Reversal of) allowance for inventories	(1,667)	(481)	5,827	3,679

Geographical information:

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

	2015 HK$'000	2014 HK$'000
U.S.	**3,349,932**	3,036,615
Canada	**211,877**	249,427
PRC (including Hong Kong)	**2,066,416**	1,757,209
Others (including Europe)	**926,586**	947,809
	6,554,811	5,991,060

Note: Others included mainly United Kingdom, Ireland, Spain, Russia, Australia, South Africa, Korea and New Zealand. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

5. REVENUE AND SEGMENT INFORMATION – continued

Substantial portion of the Group's non-current assets are located in Mainland China and 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 (2014: none).

Revenue from major products:

The Group's revenue on external sales from its major products, sofas, bedding products and others is disclosed as below:

	2015 HK$'000	2014 HK$'000
Sofas	5,783,118	5,372,875
Bedding products	188,156	222,762
Others	583,537	395,423
	6,554,811	5,991,060

6. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Exchange gain (loss) – net	599	(4,203)
Fair value gain on investment properties	1,295	800
Loss on disposal of property, plant and equipment	(1,805)	(26)
Loss on disposal of an associate	(1,335)	–
Impairment loss on trade and other receivables	(5,278)	(1,262)
Impairment loss on property, plant and equipment	(15)	(6,731)
Loss on disposal of subsidiaries	(1,165)	(3,003)
Gain on changes in fair value of derivative financial instruments – net	–	83,967
	(7,704)	69,542

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Borrowings wholly repayable within five years	**15,663**	18,127
Convertible bonds wholly repayable within five years	**6,931**	25,033
	22,594	43,160

8. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**183,614**	169,800
U.S.	**1,058**	798
	184,672	170,598
Net overprovision in prior years:		
PRC EIT	**(10,704)**	(1,580)
U.S.	**(323)**	–
	(11,027)	(1,580)
Deferred tax (note 20)	**1,154**	(1,645)
	174,799	167,373

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

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

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 20.

8. INCOME TAX EXPENSE – continued

During the year ended 31 March 2014, a PRC subsidiary obtained the qualification of being a high technology enterprise for a consecutive three years from year 2012 to 2014. With such qualification, the subsidiary is approved to enjoy the preferential tax rate of 15% for its profits earned from July 2012 to December 2013, resulting in an overprovision of income tax expense amounted to HK$8,738,000 and HK$4,461,000, credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2015 and 2014, respectively. The preferential tax rate is subject to annual review by the PRC tax authority.

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

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

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

	2015 HK$'000	2014 HK$'000
Profit before income tax	**1,258,737**	1,153,701
Tax at the PRC EIT rate (25%)	**314,684**	288,425
Tax effect of expenses not deductible in determining taxable profit	**15,745**	23,544
Tax effect of income not taxable in determining taxable profit	**(796)**	(132)
Overprovision in prior years	**(11,027)**	(1,580)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(70,654)**	(71,918)
Tax effect of tax losses not recognised	**7,094**	10,118
Utilisation of tax losses previously not recognised	**(6,560)**	(3,199)
Tax effect of share of results of a joint venture and an associate	**(9)**	(3,496)
Tax effect of profit of a subsidiary under tax exemption	**(73,678)**	(74,389)
Tax charge for the year	**174,799**	167,373

9. PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	32,074	38,166
Other staff costs		
Salaries and other allowances, including share option expenses	723,972	632,781
Retirement benefit scheme contributions, excluding those of directors	48,842	37,825
Share award scheme expenses, excluding those of directors	–	366
Total staff costs	804,888	709,138
Auditor's remuneration	2,330	2,929
Release of lease premium for land	11,859	11,420
Amortisation of intangible assets (recognised in selling and distribution expenses)	228	231
Depreciation	150,845	142,223
Cost of inventories recognised as an expense	4,204,008	3,837,028
Research and development expenditure	19,561	19,320
(Reversal of) allowance for inventories (recognised in cost of goods sold)	(1,584)	3,679
Recognised in other income include:		
Interest income	(2,185)	(2,082)
Income on structured deposits (Note i)	(121,549)	(105,771)
Dividend income from an available-for-sale investment	(348)	–
Rental income from investment properties	(1,420)	(641)
Government grant recognised in other income (Note ii)	(145,005)	(128,785)

Notes:

(i) During the year, the Group invested into structured deposits with certain banks in the PRC by using unutilised funds for investment returns. Majority of the structured deposits are with maturities less than 6 months and the principal is generally renewed when matured.

(ii) Among the government grant recognised in other income for the year ended 31 March 2015, HK$82,609,000 (2014: HK$102,040,000) was released from the government grant receipt in advance in prior years (note 29(i)), representing the subsidy on sales, marketing and corporate activities incurred by the Group in the year. The remaining HK$62,396,000 (2014: HK$26,745,000) represented the subsidies on PRC taxes paid (other than PRC EIT), export credit insurance expenses, and research and development cost incurred in the year (note 29(ii)).

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors

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

Name of directors	Directors' fee HK$'000	Performance related incentive payments (Note v) HK$'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 2015						
Mr. Wong Man Li *(Chairman)*	**250**	**105**	**1,187**	**215**	**17**	**1,774**
Ms. Hui Wai Hing	**250**	**83**	**977**	**154**	**17**	**1,481**
Mr. Stephen Allen Barr (Note i)	**211**	**–**	**13,237**	**92**	**70**	**13,610**
Mr. Wang Guisheng	**250**	**246**	**2,000**	**1,166**	**32**	**3,694**
Mr. Alan Marnie	**250**	**–**	**6,148**	**2,098**	**–**	**8,496**
Mr. Dai Quanfa	**250**	**73**	**798**	**516**	**11**	**1,648**
Ms. Wong Ying Ying (Note ii)	**39**	**–**	**58**	**23**	**1**	**121**
Mr. Xie Fang	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Ong Chor Wei	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Lee Teck Leng Robson	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Chau Shing Yim David	**250**	**–**	**–**	**–**	**–**	**250**
Mr. Kan Chung Nin, Tony	**250**	**–**	**–**	**–**	**–**	**250**
	2,750	**507**	**24,405**	**4,264**	**148**	**32,074**
For the year ended 31 March 2014						
Mr. Wong Man Li *(Chairman)*	250	723	1,170	211	15	2,369
Ms. Hui Wai Hing	250	599	960	149	15	1,973
Mr. Stephen Allen Barr	250	–	11,288	9,017	55	20,610
Mr. Wang Guisheng	250	362	1,945	834	27	3,418
Mr. Alan Marnie	250	827	5,240	769	–	7,086
Mr. Dai Quanfa	250	166	768	333	11	1,528
Mr. Xie Fang (Note iii)	216	–	–	–	–	216
Mr. Ong Chor Wei	250	–	–	–	–	250
Mr. Lee Teck Leng Robson	250	–	–	–	–	250
Mr. Chau Shing Yim David	250	–	–	–	–	250
Mr. Kan Chung Nin, Tony (Note iv)	216	–	–	–	–	216
	2,682	2,677	21,371	11,313	123	38,166

Notes:

(i) Resigned as an executive director of the Company on 4 February 2015.

(ii) Appointed as an executive director of the Company on 4 February 2015.

(iii) Appointed as an executive director of the Company on 20 May 2013.

(iv) Appointed as an independent non-executive director of the Company on 20 May 2013.

(v) Performance related incentive payments are recommended by the Remuneration Committee and is approved by the board of directors, having regard to the Group's operating result, individual performance and comparable market statistics.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(b) Senior management

Of the seven (2014: six) senior management of the Company for the year ended 31 March 2015, all of them are director(s) of the Company and their remuneration has been disclosed in note 10(a).

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended 31 March 2015, three of them are directors of the Company whose emoluments are included in note 10(a).

The remuneration of the remaining two individuals for the year ended 31 March 2015 is as follows:

	2015 HK$'000
Salaries and other allowance	**4,378**
Contribution to retirement benefits scheme	**84**
Share based payment expense	**402**
	4,864
Their emoluments were within the following bands:	
HK$2,000,001 to HK$2,500,000	**1**
HK$2,500,001 to HK$3,000,000	**1**
	2

Of the five individuals with the highest emoluments in the Group for the year ended 31 March 2014, all of them are directors of the Company.

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 (2014: nil). None of the directors waived any emoluments during the year (2014: none).

11. EARNINGS PER SHARE

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

Earnings

	2015 HK$'000	2014 HK$'000
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,075,159**	976,965
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	**6,931**	25,033
	1,082,090	1,001,998

11. EARNINGS PER SHARE – continued

Number of shares

	2015 '000	2014 '000 (restated)
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**1,931,690**	1,821,298
Effect of dilutive potential ordinary shares		
– Unvested awarded shares	–	434
– Share options	**18,718**	19,410
– Convertible bonds	**33,307**	118,030
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**1,983,715**	1,959,172

During the year, the Company had issued bonus shares on the basis of one bonus share for every one existing share held by the shareholders on 7 January 2015. Accordingly, the weighted average number of shares for the purpose of basic and diluted earnings per share have been adjusted.

In addition, the weighted average number of shares for the years ended 31 March 2015 and 2014 have been arrived at after eliminating the shares of the Company held under the share award scheme as detailed in note 31.

12. DIVIDENDS

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

	2015 HK$'000	2014 HK$'000
Final dividend for 2014 of HK$0.25 (2014: HK$0.18 for 2013) per share	**237,663**	159,402
Interim dividend for 2015 of HK$0.25 (2014: HK$0.25 for 2014) per share	**245,796**	227,527
Special dividend for 2015 of HK$0.75 (2014:nil) per share	**737,389**	–
	1,220,848	386,929

A final dividend of HK$0.13 per share in respect of the year ended 31 March 2015, amounting to approximately HK$252,572,000 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 and Macau 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 2013	22,260	1,056,921	196,037	363,508	152,057	39,397	34,909	1,865,089
Exchange adjustments	–	(2,852)	(1,182)	(1,477)	(766)	(120)	(1,304)	(7,701)
Additions	–	2,147	15,111	51,245	21,245	7,570	121,702	219,020
Transfers	–	5,320	28,846	1,374	5,492	–	(41,032)	–
Transfer from investment properties (note 14)	–	15,780	–	–	–	–	–	15,780
Disposals/written off/disposal of subsidiaries	–	(78)	(40,041)	(2,111)	(4,192)	(4,244)	–	(50,666)
At 31 March 2014	22,260	1,077,238	198,771	412,539	173,836	42,603	114,275	2,041,522
Exchange adjustments	–	2,059	483	484	264	(73)	59	3,276
Additions	44,501	3,801	13,757	62,991	41,897	31,646	358,076	556,669
Transfers	–	108,130	9,639	96,826	9,117	–	(223,712)	–
Surplus on valuation	2,845	–	–	–	–	–	–	2,845
Transfer to investment properties (note 14)	(25,105)	–	–	–	–	–	–	(25,105)
Disposals/written off/disposal of subsidiaries	–	–	(75,205)	(4,385)	(3,779)	(3,934)	(356)	(87,659)
At 31 March 2015	44,501	1,191,228	147,445	568,455	221,335	70,242	248,342	2,491,548
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 April 2013	813	56,753	105,047	107,661	50,773	12,158	–	333,205
Exchange adjustments	–	(417)	(937)	(633)	(576)	(106)	–	(2,669)
Provided for the year	446	20,447	45,743	37,673	30,489	7,425	–	142,223
Impairment loss recognised in profit or loss	–	–	–	6,731	–	–	–	6,731
Eliminated on disposals/written off/disposal of subsidiaries	–	(51)	(37,670)	(1,111)	(2,716)	(3,160)	–	(44,708)
At 31 March 2014	1,259	76,732	112,183	150,321	77,970	16,317	–	434,782
Exchange adjustments	–	116	353	338	202	1	–	1,010
Provided for the year	646	21,259	39,867	43,555	36,458	9,060	–	150,845
Impairment loss recognised in profit or loss	–	–	–	15	–	–	–	15
Eliminated on disposals/written off/disposal of subsidiaries	–	–	(72,104)	(4,203)	(2,749)	(2,024)	–	(81,080)
Eliminated an transferred to investment properties (note 14)	(1,705)	–	–	–	–	–	–	(1,705)
At 31 March 2015	200	98,107	80,299	190,026	111,881	23,354	–	503,867
CARRYING VALUES								
At 31 March 2015	44,301	1,093,121	67,146	378,429	109,454	46,888	248,342	1,987,681
At 31 March 2014	21,001	1,000,506	86,588	262,218	95,866	26,286	114,275	1,606,740

13. PROPERTY, PLANT AND EQUIPMENT – continued

During the year ended 31 March 2015, the Group transferred property, plant and equipment in Hong Kong with a fair value of HK$23,400,000 to investment properties as evidenced by the end of owner occupation. The difference between net book value and fair value has been credited to revaluation surplus. The fair value was determined based on the professional valuation carried out by Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman & Wakefield") at the date of transfer. Cushman & Wakefield is a professional valuer independent to the Group. The fair values were determined by a direct comparison approach, which makes reference to the market evidence of transaction prices for similar properties in the same locations and conditions and adjusted for a number of factors, including differences in location within the city, size, building age, etc., between the comparable properties and the subject matters. The fair value measurement for the property is categorized as level 3 (see note 3). Any changes in the significant unobservable inputs while other variables were held constant, the change in fair value of the property at the date of transfer would not be significant to the Group.

During the year ended 31 March 2014, the Group transferred investment properties in the PRC with fair value of RMB12,400,000 (approximately HK$15,780,000) to property, plant and equipment as evidenced by owner occupation.

The Group's interest in leasehold land and buildings in Hong Kong and Macau at their net book value are analysed as follows:

	Medium-term	
	2015	2014
	HK$'000	HK$'000
Hong Kong	**–**	21,001
Macau	**44,301**	–
	44,301	21,001

The Group's construction in progress is located in the PRC.

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% – 20%
Furniture, fittings and office equipment	20% – 33%
Motor vehicles	20%

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2013	31,894
Exchange adjustments	286
Transfer to property, plant and equipment (note 13)	(15,780)
Fair value gain	800
At 31 March 2014	17,200
Additions	11,605
Transfer from property, plant and equipment (note 13)	23,400
Fair value gain	1,295
At 31 March 2015	53,500

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 3). The fair value was determined based on the professional valuation carried out by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent firm of professional valuer at the end of both reporting periods. The fair values were determined by a direct comparison approach, which makes reference to the market evidence of transaction prices for similar properties in the same locations and conditions and adjusted for a number of factors, including differences in location within the city, size, building age, etc., between the comparable properties and the subject matters. Any changes in the significant unobservable inputs while other variables were held constant, the changes in fair value of the Group's investment properties would not be significant to the Group. There has been no change to the valuation technique or level of fair value hierarchy during the year.

The carrying value of investment properties shown above comprises:

	2015 **HK$'000**	2014 HK$'000
Properties in Hong Kong under medium-term lease	**42,300**	17,200
Properties in Macau under medium-term lease	**11,200**	–
	53,500	17,200

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.

	2015 HK$'000	2014 HK$'000
Analysed for reporting purposes as:		
Current asset	**12,109**	12,028
Non-current asset	**534,323**	542,855
	546,432	554,883

As at 31 March 2015, the Group had not obtained land use right certificates for leasehold land located in Wujiang, the PRC, with a carrying value of HK$258,054,000 (2014: HK$263,795,000). The directors of the Company expect to obtain the land use right certificate for the leasehold land in 2015.

16. INTANGIBLE ASSETS

	Trademarks HK$'000
COST	
At 1 April 2013	1,823
Exchange adjustments	(5)
At 31 March 2014	1,818
Exchange adjustments	4
At 31 March 2015	1,822
ACCUMULATED AMORTISATION	
At 1 April 2013	741
Exchange adjustments	(6)
Charge for the year	231
At 31 March 2014	966
Exchange adjustments	2
Charge for the year	228
At 31 March 2015	1,196
CARRYING VALUE	
At 31 March 2015	626
At 31 March 2014	852

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

17. INTERESTS IN A JOINT VENTURE

	2015 HK$'000	2014 HK$'000
Cost of unlisted investment in a joint venture	5	5
Share of post-acquisition profit, net of dividend received	216	10,360
	221	10,365

As at 31 March 2015 and 2014, the Group had interest in the following joint venture:

Name of joint venture	Form of business structure	Principal place of business and pace of incorporation	Class of shares held	Effective equity interest and voting power held by the Group 2015	2014	Principal activity
Home Expo (Hong Kong) Limited ("Home Expo") 家居博覽(香港)有限公司	Incorporated	Hong Kong	Ordinary shares	50%	50%	Dormant

18. INTERESTS IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Costs of investment in an unlisted associate	–	5
Share of post-acquisition profit	–	12,313
	–	12,318
Loan to an associate (Note)	–	56,539

Note: The amount as at 31 March 2014 was unsecured, interest free and with no fixed repayment terms. The Group did not expect to demand for repayment in the twelve months from 31 March 2014 and the amount was therefore shown in the consolidated statement of financial position as a non-current asset at 31 March 2014.

18. INTERESTS IN AN ASSOCIATE – continued

As at 31 March 2014, the Group had interest in the following associate:

Name of associate	Form of business structure	Principal place of business and place of incorporation	Class of shares held	Effective equity interest and voting power held by the Group	Principal activity
China Yield Limited ("China Yield") 溢中有限公司	Incorporated	Hong Kong	Ordinary shares	50%	Property investment

During the year, the Group disposed of its 50% interest in China Yield and the shareholder's loan to China Yield to an independent third party for a consideration of HK$66,502,000. A loss of HK$1,335,000 was recognised during the year.

The summarised financial information in respect of China Yield as at 31 March 2014 is set out below:

	HK$'000
Investment properties	225,000
Other assets	4,548
Current liabilities	(6,090)
Non-current liabilities	(198,822)
Net assets of the associate	24,636
Group's share of net assets	12,318
Fair value gain on investment property	27,307
Total profit for the year	24,627
Group's share of profit for the year	12,314

19. AVAILABLE-FOR-SALE INVESTMENT

	2015 **HK$'000**	2014 HK$'000
Investments in unlisted equity investment	**3,748**	3,740

The above unlisted equity investment represents investment in unlisted equity securities issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. DEFERRED TAXATION

	2015 **HK$'000**	2014 HK$'000
Deferred tax assets	**(1,731)**	(2,881)
Deferred tax liabilities	**5,068**	4,877
	3,337	1,996

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

	Withholding tax HK$'000	**Accelerated tax depreciation** HK$'000	**Fair value change in investment properties** HK$'000	**Inventory provision** HK$'000	**Total** HK$'000
At 1 April 2013	2,976	957	1,030	(1,348)	3,615
Exchange adjustments	–	14	–	12	26
Credit to profit or loss	–	(1,040)	–	(605)	(1,645)
Transfer	–	1,030	(1,030)	–	–
At 31 March 2014	2,976	961	–	(1,941)	1,996
Exchange adjustments	190	1	–	(4)	187
Charge to profit or loss	–	155	–	999	1,154
At 31 March 2015	3,166	1,117	–	(946)	3,337

The Group had unused tax losses of HK$103,259,000 (2014: HK$110,890,000) as at 31 March 2015 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 2016 to 2019 (2014: ranging from 2015 to 2018).

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$3,166,000 (2014: HK$2,976,000) which has been provided for, 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$2,023,433,000 (2014: HK$1,423,498,000) as at 31 March 2015 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.

21. STRUCTURED DEPOSIT

During the year, the Group invested into structured deposits with certain banks in the PRC by using unutilised funds for investment returns.

Majority of the structured deposits are with maturities less than 6 months and the principal is generally renewed when matured. As at 31 March 2015, the amount is stated at fair value and the deposits has realised in April 2015.

22. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2014, all outstanding foreign exchange forward contracts entered into by the Group have expired or have been either terminated or unwinded so as to terminate the future currency fluctuations exposure arising from the derivative financial instruments to the Group.

A summary of the Group's derivative financial instruments as at 31 March 2015 and 2014 are as follows:

	Assets		Liabilities	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Derivatives not under hedge accounting:				
Fair value of foreign currency forward contracts	**4,067**	23,103	**3,006**	3,796

Major terms of foreign currency forward contracts outstanding at 31 March 2015 and 2014 are as follows:

Notional amount	Maturity	Exchange rates
31 March 2015		
Buy RMB of USD40,000,000	30 April 2015	RMB/USD at 6.3065
Sell RMB of USD40,000,000	30 April 2015	RMB/USD at 6.2850
31 March 2014		
Buy RMB in total of USD240,000,000	Ranging from 10 April 2014 to 30 April 2015	RMB/USD ranging from 6.2904 to 6.3495
Sell RMB in total of USD240,000,000	Ranging from 10 April 2014 to 30 April 2015	RMB/USD ranging from 6.2268 to 6.2850

The fair value measurements for all of the Group's foreign currency forward contracts are categorised as level 2 (see note 3). The fair values were determined, on a recurring basis, based on the redemption price of these contracts, which were estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**366,136**	310,359
Work-in-progress	**113,135**	102,740
Finished goods	**301,960**	288,860
	781,231	701,959

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Trade receivables		
Trade and bills receivables	**622,052**	500,897
Other receivables and prepayments		
Valued added taxes recoverable	**101,738**	89,250
Deposits	**21,159**	19,763
Sundry receivables	**36,354**	28,532
Prepayments to suppliers	**56,153**	74,385
Dividend receivable from a joint venture	**–**	3,000
	215,404	214,930

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

	2015 HK$'000	2014 HK$'000
0 – 30 days	**306,524**	344,586
31 – 60 days	**215,956**	105,375
61 – 90 days	**73,807**	33,043
Over 90 days	**25,765**	17,893
	622,052	500,897

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.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Included in the Group's trade and bills receivable balance are receivables with aggregate carrying amount of approximately HK$85,594,000 (2014: HK$53,949,000) which are past due at the end of the reporting period for which the Group has not recognised impairment loss. 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$536,458,000 (2014: HK$446,948,000) are neither past due nor impaired at the end of the reporting period for which the Group has not recognised an impairment loss since they are mainly the customers with good credit quality based on their repayment history.

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

	2015 HK$'000	2014 HK$'000
Within 30 days	**64,022**	12,430
31 – 60 days	**8,750**	10,500
61 – 90 days	**6,238**	17,604
Over 90 days	**6,584**	13,415
	85,594	53,949

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.

Movement in the allowance for doubtful debts

	2015 HK$'000	2014 HK$'000
1 April	**1,032**	–
Impairment losses recognised on receivables	**4,978**	1,262
Amounts written off as uncollectible	**(1,055)**	(214)
Exchange adjustments	**(27)**	(16)
31 March	**4,928**	1,032

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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

	2015 HK$'000	2014 HK$'000
Trade receivables		
HKD	–	2,412
USD	**16,414**	2,852
Sundry receivables (included in other receivables)		
HKD	–	1,466
USD	–	1,080

25. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit rates ranging from 0.001% to 2.6% per annum (2014: 0.001% to 2.85% per annum).

The restricted bank balances represent deposits to banks for use of bank facilities and carry interest at prevailing deposit rate from 0.35% to 3% per annum (2014: 0.35% to 3.25%).

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

	2015 HK$'000	2014 HK$'000
USD	**53,075**	33,183
HKD	**4,740**	2,379

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Trade payables		
Trade and bills payables	**280,647**	290,472
Other payables and accruals		
Trade deposits received from customers	**96,799**	95,203
Accruals	**212,544**	236,939
Payables for acquisition of property, plant and equipment	**33,902**	7,218
Others	**28,194**	17,867
	371,439	357,227

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:

	2015 HK$'000	2014 HK$'000
0 – 30 days	**263,902**	261,835
31 – 60 days	**15,936**	20,292
61 – 90 days	**424**	5,883
Over 90 days	**385**	2,462
	280,647	290,472

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

	2015 HK$'000	2014 HK$'000
Other payable		
HKD	**1,247**	2,988

27. UNSECURED BORROWINGS

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

	2015 HK$'000	2014 HK$'000
Variable-rate borrowings:		
Repayable within one year	**925,420**	537,870
Fixed-rate borrowings:		
Repayable within one year	**12,492**	–
Carrying amount shown under current liabilities	**937,912**	537,870

The Group's borrowings carry interest at variable rates which are borrowings subject to interest at Hong Kong Interbank Offered Rate plus a spread, ranging from 1.65% to 2.35% or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1% ("Best Lending Rate") for the year. The weighted average effective interest rate of the above variable-rate bank borrowings was 1.73% (2014: 1.9%) per annum.

An amount of HK$12,492,000 (2014: nil) included in the Group's borrowing as at 31 March 2015 represents an entrusted loan by a non-controlling interest through a bank. The loan carries fixed interest rate at 4.56% (2014: n/a) per annum and are repayable within one year.

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

	2015 HK$'000	2014 HK$'000
HKD	**775,420**	150,000

28. CONVERTIBLE BONDS

On 20 May 2013 and 27 June 2013 (the "Issue Dates"), the Company issued principal amounts of HK$700,000,000 (the "Tranche I Bond") and HK$150,000,000 (the "Tranche II Bond"), respectively. The convertible bonds are denominated in a designated rate converted from Hong Kong dollars to United States dollars. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the Issue Dates of the bonds and their settlement date on 20 May 2018 (the "Maturity Date") at a conversion price of HK$8.25 per convertible bond. If the bonds have not been converted, they will be redeemed on the Maturity Date at par. Interest of 5% per annum will be paid semi-annually in arrears on 20 May and 20 November in each year until the Maturity Date.

The principal terms of the convertible bonds are as follows:

The holders of the bonds have the right to convert all or part of the bonds into shares of the Company at the conversion price of HK$8.25 per share (subject to anti-dilutive adjustment). The conversion right can be exercised at any time on or after the Issue Dates up to the close of business on the Maturity Date, or if notice requiring redemption has been given on or after the Issue Dates, then up to the close of business on the day prior to the giving of such notice.

Unless previously redeemed or purchased and cancelled, the Company may at any time on or after the Issue Dates up to the close of business on the Maturity Date require a portion or all of the bonds to be converted into shares upon the occurrence of corresponding trigger events. When the arithmetic average of the volume weighted average price for one share for 60 consecutive trading days is not less than HK$10.35, HK$12.45 and HK$14.45 and the closing price of one share on the date falling at the end of the aforesaid 60-day period is not less than HK$10.35, HK$12.45 and HK$14.45 respectively, principal amount of the bonds held by the relevant holder of the bonds such that, immediately after the conversion, such holder has converted or redeemed not less than 18 per cent, 64 per cent and 100 per cent respectively of the principal amount of the bonds subscribed by it on the Issue Dates.

The convertible bonds contain a liability component and an equity component. The equity component is presented in the equity under the heading "Convertible bonds equity reserve". The effective interest rates of the liability components of the Tranche I Bond and Tranche II Bond are 5.12% and 6.80% respectively.

During the current year, holders of convertible bonds converted an aggregated principal amount of HK$251,998,600 (2014: HK$598,001,400) into 30,545,200 (2014: 72,484,800) ordinary shares of par value HK$0.4 each at the conversion price of HK$8.25 per convertible bond.

28. CONVERTIBLE BONDS – continued

	Liability component HK$'000	Equity component HK$'000
Issue on 20 May 2013	698,181	1,819
Issue on 27 June 2013	139,574	10,426
Interest charged	25,033	–
Interest paid	(19,160)	–
Conversion of convertible bonds	(586,998)	(11,590)
At 31 March 2014	256,630	655
Interest charged	6,931	–
Interest paid	(12,083)	–
Conversion of convertible bonds	(251,478)	(655)
At 31 March 2015	–	–

29. GOVERNMENT GRANT RECEIPT IN ADVANCE

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

During the year ended March 2014, a supplementary agreement entered between the local government and the Group, whereby the government grant to the Group by way of subsidy has been changed to a subsidy to develop the sales, marketing and corporate activities conducted by the wholly owned subsidiary. An amount of RMB66,038,000 (approximately HK$82,609,000) (2014: RMB80,592,000 approximately HK$102,040,000), representing sales, marketing and corporate activities incurred during the year, was released from the government grant receipt in advance and recorded as other income in the consolidated statement of profit or loss and other comprehensive income.

(ii) During the current year, the PRC government further granted subsidies of RMB49,881,000 (approximately HK$62,396,000) (2014: RMB21,123,000 (approximately HK$26,745,000)) on PRC taxes paid (other than PRC EIT), export credit insurance expenses, and research and development cost incurred.

(iii) In 2013 and 2014, the PRC government granted, and the Group received, subsidies of RMB100,366,000 (approximately HK$126,008,000), in aggregate, in respect of the Group's development of a manufacturing plant in Tianjin City, the PRC. During each of the years ended 31 March 2013, 2014 and 2015, such amounts (net of tax) has been fully applied to set off against the construction costs of the manufacturing plant.

30. SHARE CAPITAL

	Number of shares '000	Amounts HK$'000
Authorised:		
Ordinary shares:		
At 1 April 2013 and 31 March 2014 – HK$0.40 each	1,250,000	500,000
Increase in authorised share capital (Note a)	3,750,000	1,500,000
At 31 March 2015	5,000,000	2,000,000
Issued and fully paid:		
At 1 April 2013	891,030	356,412
Repurchase of shares (Note b)	(15,323)	(6,129)
Exercise of share options	1,906	762
Conversion of convertible bonds	72,485	28,994
At 31 March 2014	950,098	380,039
Repurchase of shares (Note b)	(36,800)	(14,720)
Exercise of share options	19,037	7,615
Conversion of convertible bonds	30,545	12,218
Issue of shares pursuant to bonus issue (Note c)	983,184	393,274
At 31 March 2015	1,946,064	778,426

Notes:

(a) Pursuant to an ordinary resolution passed on 29 December 2014, increase in authorised share capital of the Company from HK$500,000,000 divided into 1,250,000,000 shares to HK$2,000,000,000 divided into 5,000,000,000 shares was approved.

(b) During the year ended 31 March 2014, 15,322,400 ordinary shares of the Company at HK$0.4 each were repurchased at a price ranging from HK$6.46 to HK$14.60 per share.

During the current year, 40,000,000 ordinary shares of the Company at HK$0.4 each were repurchased at a price ranging from HK$6.29 to HK$7.67 per share. 36,800,000 shares were cancelled. The remaining 3,200,000 shares were recognised as treasury shares at the end of the reporting period were subsequently cancelled on 9 April 2015.

(c) On 14 January 2015, the Company issued 983,184,000 bonus shares on the basis of one bonus share for every one existing share held on 7 January 2015 (the "Bonus Issue").

31. 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.

31. 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	Exercise period	Number of share options granted	Adjusted number of share options granted (Note i)	Exercise price HK$	Adjusted exercise price HK$ (Note i)	Fair value HK$'000
Tranche 1	18.10.2010	18.4.2012 – 17.10.2020	2,100,000	4,200,000	10.18	5.09	9,629
		18.10.2015 – 17.10.2020	2,000,000	4,000,000	10.18	5.09	9,579
Tranche 2	30.6.2011	30.6.2013 – 29.6.2015	240,000	480,000	8.11	4.06	770
Tranche 3	6.7.2011	6.7.2014 – 5.7.2016	4,500,000	9,000,000	8.55	4.28	5,292
Tranche 4	8.2.2012	8.2.2014 – 7.2.2016	1,903,200	3,806,400	4.72	2.36	1,295
		8.2.2015 – 7.2.2017	1,903,200	3,806,400	4.72	2.36	872
		8.2.2016 – 7.2.2018	1,903,200	3,806,400	4.72	2.36	569
		8.2.2017 – 7.2.2019	1,840,000	3,680,000	4.72	2.36	360
Tranche 5	1.6.2012	1.6.2013 – 3.3.2020	611,600	1,223,200	3.50	1.75	454
Tranche 6	1.2.2013	1.2.2015 – 31.1.2017	5,381,600	10,763,200	7.17	3.59	5,493
		1.2.2016 – 31.1.2018	5,266,400	10,532,800	7.17	3.59	3,986
		1.2.2017 – 31.1.2019	5,266,000	10,532,000	7.17	3.59	2,713
Tranche 7	31.5.2013	31.5.2015 – 3.3.2020	8,506,400	17,012,800	8.16	4.08	17,444
Tranche 8	22.1.2014	22.1.2016 – 21.1.2018	3,765,600	7,531,200	14.56	7.28	6,754
		22.1.2017 – 21.1.2019	3,820,400	7,640,800	14.56	7.28	6,012
Tranche 9	21.5.2014	21.5.2016 – 3.3.2020	2,128,400	4,256,800	11.88	5.94	6,907
		21.5.2016 – 20.5.2018	950,000	1,900,000	11.88	5.94	3,144
Tranche 10	10.2.2015	10.2.2017 – 9.2.2019	9,674,400	N/A	6.72	6.72	5,289
		10.2.2018 – 9.2.2020	9,582,000	N/A	6.72	6.72	4,268

31. 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 1.4.2013	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2014	Granted during the year	Adjusted during the year (Note i)	Lapsed during the year	Transfer (Note ii)	Exercised	Outstanding at 31.3.2015
Directors												
Tranche 1	18.10.2010 – 17.4.2012	2,100,000	–	–	–	2,100,000	–	2,100,000	–	–	(4,200,000)	–
	18.10.2010 – 17.10.2015	2,000,000	–	–	–	2,000,000	–	2,000,000	(4,000,000)	–	–	–
Tranche 2	30.6.2011 – 29.6.2013	240,000	–	–	(240,000)	–	–	–	–	–	–	–
Tranche 3	6.7.2011 – 5.7.2014	920,000	–	–	–	920,000	–	300,000	–	–	(1,220,000)	–
Tranche 4	8.2.2012 – 7.2.2014	80,400	–	–	(26,400)	54,000	–	–	–	10,800	(64,800)	–
	8.2.2012 – 7.2.2015	80,400	–	–	–	80,400	–	91,200	–	10,800	(182,400)	–
	8.2.2012 – 7.2.2016	80,400	–	–	–	80,400	–	91,200	–	10,800	–	182,400
	8.2.2012 – 7.2.2017	80,000	–	–	–	80,000	–	90,800	–	10,800	–	181,600
Tranche 5	1.6.2012 – 31.5.2013	611,600	–	–	(611,600)	–	–	–	–	–	–	–
Tranche 6	1.2.2013 – 31.1.2015	615,600	–	–	–	615,600	–	686,400	–	70,800	(1,372,800)	–
	1.2.2013 – 31.1.2016	614,400	–	–	–	614,400	–	684,800	–	70,400	–	1,369,600
	1.2.2013 – 31.1.2017	614,400	–	–	–	614,400	–	684,800	–	70,400	–	1,369,600
Tranche 7	31.5.2013 – 30.5.2015	–	8,506,400	–	–	8,506,400	–	8,506,400	(15,600,000)	–	–	1,412,800
Tranche 8	22.1.2014 – 21.1.2016	–	372,800	–	–	372,800	–	416,800	–	44,000	–	833,600
	22.1.2014 – 21.1.2017	–	372,800	–	–	372,800	–	416,800	–	44,000	–	833,600
Tranche 9	21.5.2014 – 20.5.2016	–	–	–	–	–	3,078,400	3,078,400	(4,256,800)	–	–	1,900,000
Tranche 10	10.2.2015 – 9.2.2017	–	–	–	–	–	1,049,600	–	–	–	–	1,049,600
	10.2.2015 – 9.2.2018	–	–	–	–	–	1,048,800	–	–	–	–	1,048,800
		8,037,200	9,252,000	–	(878,000)	16,411,200	5,176,800	19,147,600	(23,856,800)	342,800	(7,040,000)	10,181,600
Employees												
Tranche 3	6.7.2011 – 5.7.2014	2,750,000	–	(695,000)	–	2,055,000	–	340,000	(50,000)	–	(2,025,000)	320,000
Tranche 4	8.2.2012 – 7.2.2014	1,458,000	–	(228,400)	(1,028,000)	201,600	–	–	–	(10,800)	(190,800)	–
	8.2.2012 – 7.2.2015	1,458,000	–	(228,400)	–	1,229,600	–	1,130,000	(88,800)	(10,800)	(2,260,000)	–
	8.2.2012 – 7.2.2016	1,458,000	–	(228,400)	–	1,229,600	–	1,130,000	(128,800)	(10,800)	–	2,220,000
	8.2.2012 – 7.2.2017	1,409,200	–	(218,000)	–	1,191,200	–	1,094,400	(126,000)	(10,800)	–	2,148,800
Tranche 6	1.2.2013 – 31.1.2015	4,737,600	–	(686,000)	–	4,051,600	–	3,760,400	(220,400)	(70,800)	(7,520,800)	–
	1.2.2013 – 31.1.2016	4,624,800	–	(670,800)	–	3,954,000	–	3,670,000	(390,400)	(70,400)	–	7,163,200
	1.2.2013 – 31.1.2017	4,624,400	–	(670,800)	–	3,953,600	–	3,669,600	(390,400)	(70,400)	–	7,162,400
Tranche 8	22.1.2014 – 21.1.2016	–	3,392,800	(37,200)	–	3,355,600	–	3,048,800	(353,200)	(44,000)	–	6,007,200
	22.1.2014 – 21.1.2017	–	3,447,600	(38,000)	–	3,409,600	–	3,096,000	(361,600)	(44,000)	–	6,100,000
Tranche 10	10.2.2015 – 9.2.2017	–	–	–	–	–	8,624,800	–	(50,000)	–	–	8,574,800
	10.2.2015 – 9.2.2018	–	–	–	–	–	8,533,200	–	(49,600)	–	–	8,483,600
		22,520,000	6,840,400	(3,701,000)	(1,028,000)	24,631,400	17,158,000	20,939,200	(2,209,200)	(342,800)	(11,996,600)	48,180,000
Exercisable at the end of the reporting period						2,355,600						320,000

Notes:

(i) The number of share options granted and the exercise price are adjusted to reflect the effect of Bonus Issue as defined in note 30.

(ii) Ms. Wong Ying Ying was originally an employee of the Group and appointed as a director with effect from 4 February 2015. The share options granted to her was disclosed under the category of directors accordingly.

31. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

During the year ended 31 March 2015, share options of 3,078,400 and 19,256,400 shares were granted on 21 May 2014 and 10 February 2015. The estimated fair values of the options granted on those dates are HK$10,051,000 and HK$9,557,000 respectively. The closing price of the Company's shares at dates of grant were HK$5.94 (as adjusted) and HK$6.31 respectively.

During the year ended 31 March 2014, share options of 17,012,800 and 15,172,000 shares were granted on 31 May 2013 and 22 January 2014. The estimated fair values of the options granted on those dates were HK$17,444,000 and HK$12,766,000 respectively. The adjusted closing price of the Company's shares at dates of grant were HK$4.08 and HK$7.28 respectively.

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 for options granted during the year ended 31 March 2015 and 2014 are as follows:

	Tranche 7	Tranche 8	Tranche 9	Tranche 10
Closing share price at date of grant	HK$8.16	HK$14.56	HK$11.88	HK$6.31
Original exercise price	HK$8.16	HK$14.56	HK$11.88	HK$6.72
Adjusted exercise price with effect to Bonus Issue	HK$4.08	HK$7.28	HK$5.94	HK$6.72
Suboptimal exercise factor	2.8	2.2 to 2.8	2.8	2.2 to 2.8
Expected volatility	51.90%	41.91% to 49.82%	51.98% to 60.28%	35.71% to 38.41%
Expected dividend yield	3.43%	2.95%	4.21%	3.96%
Risk free rate	0.991%	1.07% to 1.39%	0.96% to 1.3%	0.96% to 1.30%
Fair value	HK$2.05	HK$1.38 to HK$3.36	HK$3.25 to HK$3.31	HK$0.39 to HK$0.92

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$11,834,000 for the year ended 31 March 2015 (2014: HK$15,855,000) in relation to the share options granted by the Company.

31. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

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.

Where the awarded shares of the Company do not vest in accordance with the Share Award Scheme, the Trust shall sell such shares of the Company as it determines in its discretion, after having taken into account the recommendations of the board of directors of the Company.

The equity-settled share-based payments charged to the profit or loss was HK$437,000 for the year ended 31 March 2014 and no such payments charged in the year ended 31 March 2015 as there was no shares granted by the Company under the share award scheme.

32. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2015, the Group disposed of its 100% interest in Ningbo Carnival Furniture Co., Ltd., Dalian Man Wah Furniture Co., Ltd. and Starry Ford Development Investments Limited, indirectly wholly-owned subsidiaries of the Group, to independent third parties at aggregate considerations of HK$4,089,000.

During the year ended 31 March 2014, the Group disposed of its 100% interest in Man Wah Furniture(s) Singapore Pte. Ltd. and Quanzhou Man Wah Furniture Co., Ltd., indirectly wholly-owned subsidiaries of the Group, to two independent third parties at aggregate considerations of HK$2,669,000.

The aggregate amounts of the assets and liabilities attributable to the disposed subsidiaries on the respective dates of disposal were as follows:

	2015 HK$'000	2014 HK$'000
Net assets disposed of:		
Non-current assets	**2,535**	485
Current assets	**10,712**	9,488
Bank balances and cash	**1,614**	1,800
Current liabilities	**(9,607)**	(6,636)
	5,254	5,137
Loss on disposal of subsidiaries	**(1,165)**	(3,003)
Reclassification of translation reserve upon disposal of subsidiaries	**–**	535
Cash consideration received	**4,089**	2,669
Net cash inflow arising on disposal:		
Cash received	**4,089**	2,669
Bank balances and cash disposed of	**(1,614)**	(1,800)
	2,475	869

33. OPERATING LEASES

The Group as lessee

	2015 HK$'000	2014 HK$'000
Minimum lease payments paid under operating leases recognised as an expense	**88,972**	100,968

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:

	2015 HK$'000	2014 HK$'000
Within one year	**40,905**	45,142
In the second to fifth year inclusive	**28,640**	14,564
	69,545	59,706

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:

	2015 HK$'000	2014 HK$'000
Rental income	**1,420**	641
Less: outgoings	**(22)**	(22)
	1,398	619

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

	2015 HK$'000	2014 HK$'000
Within one year	**1,731**	930
In the second to fifth year inclusive	**3,260**	–
	4,991	930

The properties generate rental yield of 3% (2014: 4%) on an ongoing basis. All of the properties held have committed tenants for contract terms of two years.

34. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**44,970**	69,988
– construction of production plant	**146,887**	161,098
	191,857	231,086
Capital expenditure authorised for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**–**	119,671
– lease premium for land	**75,925**	15,788
	75,925	135,459

35. 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 a maximum of HK$1,500 per month, starting in June 2014. 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.

36. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	2015 HK$'000	2014 HK$'000
Rental expense paid to related parties (Note)	**2,294**	2,215
Rental expense paid to a joint venture	**537**	2,044

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.

36. RELATED PARTY DISCLOSURES – continued

(II) Related party balances

Details of outstanding balances with related parties of the Group are set out in notes 18, 24 and 27.

(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.

37. 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 borrowings disclosed in note 27, cash and cash equivalents disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 30 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.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	2014
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,425,191**	2,954,347
Available-for-sale investment	**3,748**	3,740
Derivative financial instruments	**4,067**	23,103
Financial liabilities		
Amortised cost	**1,280,655**	1,110,057
Derivative financial instruments	**3,006**	3,796

38. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, a loan to an associate, trade and other receivables, trade and other payables, derivative financial instruments, bank balances and cash, structured deposits, restricted bank balances, convertible bonds and borrowings. 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 monetary assets and liabilities (trade and other receivables, bank balances and cash, structured deposits, trade and other payables and borrowings), which are denominated in currencies other than the functional currency of the entity to which they related (including those between HKD against USD as disclosed in respective notes). As HKD are pegged to USD, 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. Details of foreign currency forward contracts entered into by the Group as at the end of reporting period are set out in note 22.

At the end of the reporting period, the carrying amount of the Group's monetary assets and monetary liabilities and inter-group advance denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

Assets

	2015 HK$'000	2014 HK$'000
USD	**69,489**	37,115
HKD	**4,740**	62,796
Other currency	**651**	335

Liabilities

	2015 HK$'000	2014 HK$'000
USD	**832,995**	–
HKD	**1,247**	152,988

38. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Currency risk – continued

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. 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.

	2015 **HK$'000**	2014 HK$'000
Increase (decrease) in profit for the year		
– HKD	**(139)**	3,770
– USD	**31,787**	(1,392)

In the opinion of the directors, the currency fluctuations exposure arising from the derivative financial instrument is minimum to the Group as all outstanding foreign exchange forward contracts which have been entered into by the Group have expired or have been either terminated or unwinded.

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 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, restricted bank balances 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 restricted bank balances and bank balances 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 2015 would increase/decrease by HK$6,036,000 (2014: HK$8,873,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

38. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Interest rate risk – continued

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 2015 would decrease/increase by HK$3,910,000 (2014: HK$2,246,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

In the opinion of the directors of the Company, exposure to interest rate on the structured deposits are insignificant due to their short maturity.

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, most of the Group's exposure on trade receivables was covered by insurance. The Group has purchased a credit insurance from certain insurance corporations on most of 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.

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 on its bank balances and trade receivables.

Over 74% (2014: 75%) of the Group's bank balance is deposited into two (2014: two) banks. The directors of the Company anticipated that the related credit risk is limited because the banks are with good reputations.

10% (2014: 9%) and 39% (2014: 36%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. 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.

38. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. Specifically, 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 tables also detail 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 are denominated in USD. The amounts are retranslated to HKD for the presentation in the table. The liquidity analysis for the Group's derivative financial instruments prepared based on the contractual maturities of the contracts as the management consider that the contractual maturities of the contracts are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2015					
Non-derivative financial liabilities					
Trade and other payables	–	342,743	–	342,743	342,743
Bank borrowings – variable rate	1.73	939,371	–	939,371	937,912
		1,282,114	–	1,282,114	1,280,655
Derivatives – net settlement					
Foreign currency forward contracts (liabilities)		3,006	–	3,006	3,006

38. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk management – continued

Liquidity tables – continued

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2014					
Non-derivative financial liabilities					
Trade and other payables	–	315,557	–	315,557	315,557
Bank borrowings – variable rate	2.3	545,272	–	545,272	537,870
Convertible notes payable	5	17,818	291,525	309,343	256,630
		878,647	291,525	1,170,172	1,110,057
Derivatives – net settlement					
Foreign currency forward contracts (liabilities)		3,796	–	3,796	3,796

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2015, there is no bank loan that is not repayable within one year from the end of the reporting period but contains a repayable on demand clause.

Fair value measurements of financial instruments

Financial assets/liabilities measured at fair value on a recurring basis

The derivative financial instruments of the Group are measured at fair value at the end of each reporting period and the information about how the fair values of these derivative financial instruments are determined are set out in note 22.

Financial assets and financial liabilities not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values as at 31 March 2015 and 2014.

39. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2015 and 2014 are as follows:

Name of subsidiary	Place/Country of incorporation or establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2015	2014	Principal activities
Directly owned					
Man Wah Group Limited	British Virgin Islands ("BVI")	USD50,000	**100%**	100%	Investment holding
Man Wah USA, Inc.	United States of America	USD310,000	**100%**	100%	Advertising and marketing of home furnishing products
Man Wah UK Ltd.	United Kingdom	GBP100	**100%**	100%	Advertising and marketing of home furnishing 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 sofas and other furniture
Man Wah Furniture (China) Co., Ltd.* [1] 敏華家具(中國)有限公司	The PRC	USD60,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
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	USD60,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah Furniture Headquarter (Wujiang) Co., Ltd.* [1] 敏華家具總部(吳江)有限公司	The PRC	USD37,500,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Remaco Machinery Technology (Wujiang) Co., Ltd. * [1] 銳邁機械科技(吳江)有限公司	The PRC	RMB75,000,000	**55%**	55%	Manufacturing of furniture components
Man Wah (International) Industrial Limited 敏華(國際)實業有限公司	Hong Kong	HK$100	**100%**	100%	Trading of sofas and other furniture and property investment

39. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place/Country of incorporation or establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group 31 March 2015	2014	Principal activities
Directly owned – continued					
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.* [1] 敏華家具製造(惠州)有限公司 ("Man Wah Huizhou")	The PRC	USD102,000,000	**100%**	100%	Manufacturing and trading of sofas
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 sofas
Famous Bedding Company Limited 雅典床具有限公司	Hong Kong	HK$100	**100%**	100%	Investment holding
King Famous Bedding Manufacturing (Shenzhen) Co., Ltd.* [1] 金雅典床具制造(深圳)有限公司	The PRC	HK$1,000,000	**100%**	100%	Manufacturing and trading of mattress and bedding accessories
Man Wah Home Furnishing (Huizhou) Co., Ltd.* [1] 敏華家居產業(惠州)有限公司	The PRC	USD11,800,000 (2014: USD6,800,000)	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Strongest Will International Limited[2] 凌志國際有限公司	Hong Kong	–	**70%**	–	Investment holding
China TMJ Electronic Commerce Company Limited Hong Kong[2] 中國淘美居電子商務有限公司	Hong Kong	–	**100%**	–	Investment holding
TMJ Electronic Commerce (Shenzhen) Company Limited[1, 2] 淘美居電子商務（深圳）有限公司	The PRC	HK$5,000,000	**100%**	–	Development of information system, sales of furniture and home furnishing products

* 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 newly incorporated during the year ended 31 March 2015.

The above table only lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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.	Flat B (with A/C Room(s) pertaining thereto which is/are accessible from the flat itself) on 36th Floor of Tower 8, The Palazzo, No. 28 Lok King Street, Shatin, New Territories	Commercial	Medium	100%
3.	Praça Wong Chio L19, Alameda Dr. Carlos D'Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
Properties for the Group's own use				
4.	Unit 1904, Tower 1, Huiyang World Trade Plaza, Baiyun Er Road, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	Commercial	Long	100%
5.	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%
6.	Industrial Complex located at Man Wah Industrial Zone No. 189 Industrial District, Henggang Town, Longgang, Shenzhen City, Guangdong Province, the PRC	Industrial	Medium	100%

	Location	Existing use	Lease term	Attributable interest of the Group
7.	No. 5555, TongJin Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
8.	CHEERS Flagship Store, CBD International Famous Store Street, 21 North Avenue, Hankou District, Wuhan City, Hubei Province, the PRC	Commercial	Long	100%
9.	Praça Wong Chio J19, Alameda Dr. Carlos D'Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
10.	Praça Wong Chio K19, Alameda Dr. Carlos D'Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
11.	668 N. Main Street, High Point, NC 27260-5018, USA	Commercial	Medium	100%
12.	78 Fuyuan Road, Wuqing Development Zone, Tianjin, the PRC	Industrial	Long	100%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Revenue	3,808,210	4,336,353	4,876,976	5,991,060	**6,554,811**
Cost of goods sold	(2,190,807)	(2,861,425)	(3,105,818)	(3,860,027)	**(4,221,985)**
Gross profit	1,617,403	1,474,928	1,771,158	2,131,033	**2,332,826**
Other income	45,334	65,400	89,231	286,369	**320,372**
Other gains and losses	38,231	4,807	33,396	69,542	**(7,704)**
Selling and distribution expenses	(766,063)	(875,458)	(934,550)	(972,706)	**(1,012,242)**
Administrative expenses	(254,352)	(329,169)	(325,907)	(338,568)	**(351,976)**
Share of profit of a joint venture	1,640	4,652	7,374	8,877	**1,075**
Share of (loss) profit of an associate	–	–	(1)	12,314	**(1,020)**
Finance costs	(1,479)	(7,693)	(16,807)	(43,160)	**(22,594)**
Profit before income tax	680,714	337,467	623,894	1,153,701	**1,258,737**
Income tax expense	(59,412)	(35,293)	(58,050)	(167,373)	**(174,799)**
Profit for the year	621,302	302,174	565,844	986,328	**1,083,938**
Other comprehensive (expense) income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of financial statements of foreign operations	57,713	64,995	27,582	(29,632)	**7,099**
Reclassification of translation reserve upon disposal of subsidiaries	–	–	–	535	**–**
Items that will not be reclassified subsequently to profit or loss:					
Increase in fair value of property, plant and equipment	–	–	–	–	**2,845**
Other comprehensive (expenses) income for the year	57,713	64,995	27,582	(29,097)	**9,944**
Total comprehensive income for the year	679,015	367,169	593,426	957,231	**1,093,882**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Profit for the year attributable to:					
Owners of the Company	622,296	303,345	568,401	976,965	**1,075,159**
Non-controlling interest	(994)	(1,171)	(2,557)	9,363	**8,779**
	621,302	302,174	565,844	986,328	**1,083,938**
Total comprehensive income (expenses) for the year attributable to:					
Owners of the Company	680,009	367,520	595,757	948,061	**1,085,032**
Non-controlling interest	(994)	(351)	(2,331)	9,170	**8,850**
	679,015	367,169	593,426	957,231	**1,093,882**
Earnings per share (Note)					
Basic (HK cents)	32.23	15.74	31.43	53.64	**55.66**
Diluted (HK cents)	32.23	15.73	31.40	51.15	**54.74**
Dividend per share (Note)					
Interim dividend (HK cents)	6.7	3.0	5.0	12.5	**12.5**
Special dividend (HK cents)	–	–	–	–	**37.5**
Final dividend (HK cents)	6.5	3.5	9.0	12.5	**13.0**
Full year dividend (HK cents)	13.2	6.5	14.0	25.0	**63.0**
Dividend Payout Ratio (%)	41.2%	40.0%	43.7%	47.6%	**114.9%**

Note: During the year, the company had issued bonus shares on the basis of one bonus share for every one existing shares held by the shareholders on 7 January 2015. For comparison purpose, earnings per share and dividend per share have been restated in each respective period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Non-current assets					
Property, plant and equipment	877,001	1,371,095	1,531,884	1,606,740	**1,987,681**
Investment properties	28,547	29,974	31,894	17,200	**53,500**
Lease premium for land	98,802	362,570	445,464	542,855	**534,323**
Intangible assets	1,465	1,293	1,082	852	**626**
Interest in a joint venture	195	4,847	7,721	10,365	**221**
Interest in an associate	–	–	4	12,318	**–**
Loan to a joint venture	4,995	–	–	–	**–**
Loan to an associate	–	–	19,040	56,539	**–**
Deposit paid for an equity investment	–	3,701	–	–	**–**
Available-for-sale investment	–	–	3,749	3,740	**3,748**
Deferred tax assets	453	453	2,293	2,881	**1,731**
Refundable earnest money paid for lease premium for land	23,669	13,247	4,226	4,216	**7,973**
Deposit paid for acquisition of a land lease	–	11,281	16,244	–	**–**
Derivative financial instruments	–	–	558	–	**–**
Deposits paid for acquisition of property, plant and equipment	15,737	20,062	38,595	53,115	**102,907**
	1,050,864	1,818,523	2,102,754	2,310,821	**2,692,710**
Current assets					
Inventories	395,017	545,902	635,668	701,959	**781,231**
Trade receivables	331,844	390,714	369,119	500,897	**622,052**
Other receivables and prepayments	130,843	206,946	197,640	214,930	**215,404**
Receivables due from non-controlling interests shareholders of a subsidiary	1,109	–	–	–	**–**
Lease premium for land	2,206	7,619	9,567	12,028	**12,109**
Derivative financial instruments	1,997	–	24,586	23,103	**4,067**
Tax recoverable	–	12,604	317	996	**1,372**
Pledged bank deposits	–	310,881	–	–	**–**
Structured deposits	–	–	–	–	**165,059**
Restricted bank balances	–	–	5,967	2,929	**2,698**
Bank balances and cash	1,611,164	1,190,072	1,655,439	2,362,450	**1,599,028**
	2,474,180	2,664,738	2,898,303	3,819,292	**3,403,020**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Current liabilities					
Trade payables	221,475	294,759	259,135	290,472	**280,647**
Other payables and accruals	176,742	225,196	311,793	357,227	**371,439**
Unsecured borrowings	17,500	582,800	745,660	537,870	**937,912**
Tax payable	9,231	6,029	9,345	45,970	**45,327**
Convertible Bonds – current portion	–	–	–	5,218	**–**
Derivative financial instruments	692	–	–	3,796	**3,006**
	425,640	1,108,784	1,325,933	1,240,553	**1,638,331**
Net current assets	2,048,540	1,555,954	1,572,370	2,578,739	**1,764,689**
Total assets less current liabilities	3,099,404	3,374,477	3,675,124	4,889,560	**4,457,399**
Non-current liabilities					
Deferred tax liabilities	4,669	4,669	5,908	4,877	**5,068**
Derivative financial instruments	–	–	249	–	**–**
Convertible bonds – non-current portion	–	–	–	251,412	**–**
Government grant receipt in advance	–	180,890	200,394	130,960	**–**
	4,669	185,559	206,551	387,249	**5,068**
	3,094,735	3,188,918	3,468,573	4,502,311	**4,452,331**
Capital and reserves					
Share capital	388,454	379,097	356,412	380,039	**778,426**
Reserves	2,706,153	2,779,372	3,073,600	4,074,541	**3,617,324**
Equity attributable to owners of the Company	3,094,607	3,158,469	3,430,012	4,454,580	**4,395,750**
Non-controlling interest	128	30,449	38,561	47,731	**56,581**
	3,094,735	3,188,918	3,468,573	4,502,311	**4,452,331**

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 March

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investment in subsidiaries	**252,479**	252,479
Current assets		
Other receivables and prepayments	**689**	598
Amounts due from subsidiaries	**1,531,195**	2,150,233
Cash and bank balances	**1,418**	1,130
	1,533,302	2,151,961
Current liabilities		
Other payables and accruals	**1,008**	1,044
Convertible bonds-current portion	**–**	5,218
	1,008	6,262
Net current asset	**1,532,294**	2,145,699
Total assets less current liabilities	**1,784,773**	2,398,178
Non-current liabilities		
Convertible bonds-non-current portion	**–**	251,412
	–	251,412
Total assets less total liabilities	**1,784,773**	2,146,766
Capital and reserves		
Share capital	**778,426**	380,039
Reserves	**1,006,347**	1,766,727
	1,784,773	2,146,766

MOVEMENT IN RESERVES OF THE COMPANY

	Equity attributable to equity holders of the Company								
	Share capital HK$'000	Treasury share HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Shares held under share award scheme HK$'000	Share award scheme reserve HK$'000	Convertible bonds equity reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2013	356,412	–	1,270,368	19,942	(6,476)	2,891	–	(706)	1,642,431
Profit for the year	–	–	–	–	–	–	–	427,828	427,828
Total comprehensive income for the year	–	–	–	–	–	–	–	427,828	427,828
Recognition of equity-settled share-based payments	–	–	–	15,855	–	437	–	–	16,292
Repurchase of shares	(6,129)	–	(155,034)	–	–	–	–	–	(161,163)
Issue of shares upon exercise of share options	762	–	10,238	(1,936)	–	–	–	–	9,064
Recognition of equity component of convertible bonds	–	–	–	–	–	–	12,245	–	12,245
Issue of shares upon conversion of convertible bonds	28,994	–	569,594	–	–	–	(11,590)	–	586,998
Dividends paid	–	–	–	–	–	–	–	(386,929)	(386,929)
At 31 March 2014	380,039	–	1,695,166	33,861	(6,476)	3,328	655	40,193	2,146,766
Profit for the year	–	–	–	–	–	–	–	781,869	781,869
Total comprehensive income for the year	–	–	–	–	–	–	–	781,869	781,869
Bonus issue	393,274	–	(393,274)	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	11,834	–	–	–	–	11,834
Repurchase of shares	(14,720)	(1,280)	(256,950)	–	–	–	–	–	(272,950)
Lapsed of share options	–	–	–	(13,552)	–	–	–	13,552	–
Issue of shares upon exercise of share options	7,615	–	94,973	(18,664)	–	–	–	–	83,924
Issue of shares upon conversion of convertible bonds	12,218	–	239,915	–	–	–	(655)	–	251,478
Shares vested under share award scheme	–	–	–	–	3,328	(3,328)	–	–	–
Disposal of shares under share award scheme	–	–	–	–	2,700	–	–	–	2,700
Dividend paid	–	–	–	–	–	–	–	(1,220,848)	(1,220,848)
At 31 March 2015	778,426	(1,280)	1,379,830	13,479	(448)	–	–	(385,234)	1,784,773