First Class Experience Everyday

Annual Report 2017

MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

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

Non-executive Director
Mr. Xie Fang (resigned on 14 July 2016)

Independent non-executive Directors
Mr. Ong Chor Wei
Mr. Chau Shing Yim, David
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan (appointed on 31 December 2016)

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)
Mr. Ong Chor Wei
Mr. Xie Fang (resigned on 14 July 2016)
Mr. Ding Yuan (appointed on 31 December 2016)

NOMINATION COMMITTEE

Mr. Wong Man Li *(Chairman)*
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)
Mr. Chau Shing Yim, David
Mr. Wang Guisheng
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan (appointed on 31 December 2016)

REMUNERATION COMMITTEE

Mr. Lee Teck Leng, Robson *(Chairman)*
(resigned on 31 December 2016)
Mr. Ding Yuan *(Chairman)* (appointed on 31 December 2016)
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

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 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
Estera Management (Bermuda) Limited

PRINCIPAL BANKERS

Standard Chartered Bank
Hang Seng Bank
Hong Kong and Shanghai Banking Corporation Limited
Citibank, N.A.
Australia & New Zealand Banking Group Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited

STOCK CODE

1999

WEBSITE

www.manwahholdings.com

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
2401-2, Admiralty Centre I
18 Harcourt Road
Hong Kong

Executive Directors

Mr. Wong Man Li, aged 52, BBS, 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 21 years of experience in the furniture industry. Since 2005, Mr. Wong has been the Vice-President of the China Furniture & Decoration Chamber of Commerce (全國工商聯傢具裝飾業商會), 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 (中國傢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 Member 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 54, 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 22 years of experience in the furniture industry, over 21 years of which is management experience in our Group.

Mr. Wang Guisheng, aged 47, 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 and Banking 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 in December 2011. He received a master's degree from China Europe International Business School in Executive Business Administration ("EMBA") in August 2014. 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 (the "Stock Exchange"), from 31 August 2007 to 20 October 2010. In addition, Mr. Wang was the executive director of Chengshang Group Co., Ltd. (stock code: 600828), a company listed on the Shanghai Stock Exchange, from 19 July 2005 to 20 October 2010 and Qinhuangdao Bohai Logistics Holdings Corporations Ltd. (stock code: 000889), a company listed on the Shenzhen Stock Exchange, from 30 June 2010 to 20 October 2010. Mr. Wang was appointed as an independent non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (Stock code: 8328) on 25 June 2016.

Mr. Alan Marnie, aged 46, is our executive Director since 6 October 2011 after joining 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 26 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 Frankfurt 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 44, is our executive Director since 19 July 2012 after joining 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 21 years of experience in the furniture industry.

Ms. Wong Ying Ying, aged 30, is our executive Director since 4 February 2015 after joining 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 a committee member of the All-China Youth Federation, 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.

Independent non-executive Directors

Mr. Chau Shing Yim, David, aged 53, 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 offering transactions and restructurings of PRC enterprises to cross-border and domestic takeover 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 Director of the Hong Kong Securities Institute, a member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of the ICAEW, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and was an ex-committee member of the Disciplinary Panel of the HKICPA. Mr. Chau has become a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference ("CPPCC") and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017. Mr. Chau currently is an independent non-executive director of Lee & Man Paper Manufacturing Limited (stock Code: 2314), China Evergrande Group (stock Code: 3333), Richly Field China Development Limited (stock Code: 313), Evergrande Health Industry Group Limited (stock Code: 708), Hengten Networks Group Limited (stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650) on 5 August 2016 and Asia Grocery Distribution Limited (stock Code: 8413) on 27 March 2017. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Chau has resigned as an executive director of China Solar Energy Holdings Limited (stock Code: 155) on 12 June 2015. He has retired as an independent non-executive director of Up Energy Development Group Limited (stock Code: 307) on 25 September 2015 and Varitronix International Limited (stock code: 710) on 3 June 2016. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Ong Chor Wei, aged 47, 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 an independent non-executive director of O-Net Technologies (Group) Limited (stock code: 877), Denox Environmental & Technology Holdings Limited (stock code:1452) and Nameson Holdings Limited (stock code:1982), all of which are companies listed on the main board of the Stock Exchange. Previously, Mr. Ong served as a non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191) from 13 December 2013 to 12 October 2016, which is a company listed on the GEM Board of the Stock Exchange. Mr. Ong has over 25 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 66, LL.B., P.C.LL., BBS, SBS, 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 Founder and 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 Official Member and Executive Committee Member of the Kuk. Mr. Kan has served on various advisory committees for the government, including Town Planning Board Member and Member of the Building Committee of Hong Kong Housing Authority. He is currently a Member of the Election Committee of the Chief Executive of Hong Kong Special Administrative Region. Mr. Kan has been appointed during the period from 15 March 2014 to October 2016 as a non-executive director of Midland Holdings Limited (stock code: 1200), as well as independent non-executive director of Nameson Holdings Limited (stock code: 1982) on 29 January 2016. He has been the chairman as well as non-executive director of Midland IC&I Limited (stock code : 459) since October 2016. The above mentioned companies are listed on the main board of the Stock Exchange.

Mr. Ding Yuan, aged 47, is our independent non-executive Director and was appointed on 31 December 2016. Mr. Ding is the Chairman of the Company's remuneration committee and a member of each of the Company's nomination committee and audit committee. Mr. Ding graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in December 2000. Mr. Ding served as a tenured professor in accounting and management control at the HEC School of Management in France from September 1999 to September 2006. He joined China Europe International Business School since September 2006, and currently serves as the Cathay Capital Chair Professor in Accounting, vice president and dean. Mr. Ding has been an independent non-executive director of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司) (stock code: 1528) and Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 106) since 2012 and 2013, respectively, both of which are listed on the main board of the Stock Exchange. He is currently a director of Jaccar Holdings, a private investment company. Mr. Ding was an independent director and the chairman of the audit committee of Anhui Gujing Distillery Co., Ltd. (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000596), from June 2008 to June 2011 and at TCL Corporation (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000100), from June 2008 to June 2014. From July 2011 to June 2015, he was a director and the chairman of the audit committee of MagIndustries Corp., a company listed on the Toronto Stock Exchange (stock code: MAA). Mr. Ding has more than ten years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions.

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.

Financial Highlights

	FY2017 HK$000	FY2016 HK$000	FY2015 HK$000	FY2014 HK$000	FY2013 HK$000
Revenue	**7,779,015**	7,327,590	6,554,811	5,991,060	4,876,976
Gross profit margin	**41.9%**	39.5%	35.6%	35.6%	36.3%
Selling and administrative expense/Revenue	**19.8%**	21.5%	20.8%	21.9%	25.8%
Operating profit margin	**22.1%**	18.0%	14.8%	13.7%	10.5%
Profit attributable to owners of the Company	**1,752,370**	1,327,244	1,075,159	976,965	568,401
Net profit margin	**22.5%**	18.1%	16.4%	16.3%	11.7%
Basic EPS (HK$ cents)	**45.64**	34.15	27.83	26.82	15.72
Diluted EPS (HK$ cents)	**45.47**	33.89	27.28	25.57	15.70
Interim dividend (HK$ cents)	**14.0**	8.0	6.25	6.25	2.5
Special dividend (HK$ cents)	**–**	–	18.75	–	–
Proposed final dividend (HK$ cents)	**14.0**	9.5	6.5	6.25	4.5
Dividend payout ratio	**61.0%**	51.0%	114.9%	47.6%	43.7%
Inventory days	**54.8**	57.3	64.1	63.2	69.4
Account receivable days	**28.9**	30.3	31.3	26.5	28.4
Account payable days	**28.0**	22.6	24.7	26.0	32.5
Total assets	**7,499,150**	5,645,108	6,095,730	6,130,113	5,001,057
Total liabilities	**2,102,825**	934,755	1,643,399	1,627,802	1,532,484
Total equity	**5,396,325**	4,710,353	4,452,331	4,502,311	3,468,573
Bank balances and cash	**1,808,298**	1,447,508	1,599,028	2,362,450	1,655,439
Return on equity[1]	**34.8%**	28.2%	24.5%	21.9%	16.6%
Return on assets[2]	**23.4%**	23.5%	17.6%	15.9%	11.4%

Notes:

1. Return on equity = Profit attributable to owners of the company/Equity attributable to owners of the company at year end.

2. Return on assets = Profit attributable to owners of the company/Total assets as at year end.

3. In Financial Year ended 31 March 2015 ("FY2015") and during the Review Period, 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 and 4 August 2016 respectively. For comparison purpose, earnings per share and dividend per share have been restated in each respective period.

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 2017 ("FY2017", the"Review Period" or the "Current FY").

Business Review

During the Review Period, the Group continued to improve its operational efficiency and develop competitive products to enhance overall its ability to counter business risks and profitability of the Company. During the Review Period, the Group's profit reached a new high.

In the China market, the Group benefited from the trend of consumption upgrades in household products, and has achieved a pleasing revenue growth through its increased efforts in brand promotion and marketing, as well as its vigorous promotion of refined management of sales terminal.

In the North America market, the Group's revenue has declined as a result of the adverse effects from a series of external factors. During the second half of the Review Period, the Group reacted with effective measures in time, thus the decline in revenue was narrowed down.

In Europe and other overseas markets, due to the weak economic growth in the Eurozone, many European retailers increased the proportion of local procurement in Europe to raise their inventory turnover, thereby increasing the pressure on the Group's sofa export business in Europe. The Group successfully acquired the controlling interest in Home Group Ltd. ("Home Group") in November 2016. The five manufacturing plants of Home Group in Eastern Europe will strongly support the Group's business growth in Europe in the future.

In terms of its internal management, the Group continued to improve its refined management and establish a craftsman's spirit to improve its product quality and cost indicators, thus the Group's profit growth has once again exceeded its revenue growth during the Review Period.

Prospects

In the future, the Group will continue to strengthen its core competencies in recliner. Through further vertical integration, the Group intends to improve the proportion of self-produced spare parts, thereby effectively reduce costs and increase flexibility in product design. In the manufacturing sector, the Group will be committed to improving the level of automation and intelligence. At the same time, the Group will also appropriately broaden the product mix to provide consumers with more cost-effective furniture products.

The Group is fully aware of the great potential of branded furniture market in China, and will accelerate the pace of expansion in the PRC market in the next year. The Group will strengthen brand promotion, with the aim of building the "CHEERS" brand into a well-known consumer brand, and continues to expand its store network in China. During the next fiscal year, the Group plans to add no less than 300 stores in China. In addition, the Group will, as always, strengthen the refined management of existing stores, including performance management, and better motivate its store staffs to maintain a steady revenue growth in existing stores. Considering current market conditions, the Group has increased wholesale and retail price of recliners in mainland China market by 5% in May 2017. The price increase will further support the profit growth in China market.

In the North American market, after a series of adjustments in recent months, the Group's sales have shown a month-to-month increase momentum. The Group will fully capitalize the US economic recovery to enhance its competitiveness in the North American market through continuous product innovation and provision of better service.

In Europe and other overseas markets, the Group plans to achieve revenue growth by product restructuring, launching more value-added products and developing more new customers. At the same time, the Group will fully utilize Home Group's land and plants in Europe to produce recliner sofas in Europe, so as to meet the demand of fast delivery and quick inventory turnover from European customers.

In line with the Group's continuous revenue growth, the Group will keep expanding its manufacturing capacity in China. The Group is constructing the second phase of the plant in Tianjin, which will be completed in the near future. When all plants are available and put into use, the Group' annual sofa production capacity will be increased by approximately 200,000 sets, while the total annual sofa production capacity of the Group will be increased to 1.586 million sets. At the same time, the Group has secured a piece of industrial land in Chongqing China, as a manufacturing base in Southwest China. The Group has started the construction since April this year. The construction will be expected to be completed in 2019. This will increase the sofa annual production capacity by approximately 300,000 sets. Also the new factory will further reduce logistics cost of the Group in southwest China.

Appreciation

On behalf of the Board of Directors, I would like to express my gratitude to our shareholders, business partners, consumers and employees for their support in the past year. We will continue to work hard to reward shareholders with better performance and to make more contributions to society.

Wong Man Li
Chairman
Man Wah Holdings Limited

MARKET REVIEW

During the financial year of 2017, the Group has benefited from a diversified market distribution and adjusted its sales strategy and product structure in a timely manner when faced with short-term challenges in overseas markets, which effectively overcome the adverse external impact and continued to maintain a steady growth in revenue.

China market

During the Review Period, the China market is still facing some challenges, but the overall economic situation has gradually improved. According to the 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 6.7%, 10.4% and 6.3% in 2016, respectively. The total retail sales of the furniture category grew by 12.7% year-on-year in 2016. With the continuous increase in resident income, the Group will benefit from the strong demand for high quality brand furniture products arising from consumption upgrading. Per newly released market survey report published by Euromonitor International Limited ("Euromonitor International")[1] in May 2017, the Group maintained the leadership position in China reclining sofa market while market share rose from 29.5% in 2015 to 37.7% in 2016.

North America market

The US macroeconomic data was mixed in 2016. According to the report of the US Department of Commerce, the US real GDP grew by 1.6% year-on-year in 2016 with a slower growth rate than that of 2015. According to data published by the US Department of Commerce, total new houses constructed for private owners in the US per annum in 2016 decreased by approximately 0.5% from 2015. At the same time, new home sales increased by approximately 11.2% from 2015. According to the market survey report published by Euromonitor International[1] in May 2017, the Group was continuously ranked as one of top three reclining sofa players in US while the share of the US reclining sofa market was 9.6% in calendar year 2016 (10.9% in calendar year 2015). In the market survey conducted by Furniture Today (a leading US furniture magazine) published in May 2017, the Group was ranked number 7 out of top ten suppliers of US furniture market in calendar year 2016. The Group maintained the advantages in cost control, capacity and products innovation in the North America market, and will seize the favourable market opportunities to achieve sustainable revenue growth.

[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 Company. Accordingly, Euromonitor International Limited does not give any representations as to the accuracy of the information set out in this report.

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Europe and other overseas markets

In European market, there were still a lot of challenges. The European economy's growth was subject to more uncertainty due to terrorist attack, refugee problem and so on. The exchange rate of the Euro against the US dollar was still at a low level. According to the Eurostat, the real GDP in the Eurozone was only 1.9% year-on-year in 2016, still at a low level.

BUSINESS REVIEW

During the financial year of 2017, the Group continued to enhance its core competitiveness by improving its internal operational efficiency. Facing declined revenue in overseas market by vigorously developing the Chinese market, the Group still maintained a positive revenue growth. During the Review Period, the Group's profit reached a new high.

1 Wholesale business of sofas and ancillary products

The Group's sofa products mainly focus on reclining sofas to retailers and distributors in the North America market and in Europe and other overseas markets, and wholesaled sofas and ancillary products to sofa distributors in the China market. During the Review Period, total revenue of this business was approximately HK$6,170,509,000, down by approximately 0.1% compared with approximately HK$6,177,652,000 from the Last Corresponding Period.

1.1 North America market

In the North American market, as many furniture retailers were faced with destocking pressure at the beginning of the year, and some exporters in China reduced sales prices when there was slowdown in the material costs, the Group's sales suffered a certain pressure.

The Group remarkably relieved the downside sales pressure by adjusting the product mix timely, strengthening the sales team, introducing the rapid delivery plan and lowering the selling price of products in the second half of the financial year.

During the Review Period, the Group participated in four furniture exhibitions and introduced a number of new sofa models to customers in the exhibitions. During the Review Period, revenue in the North America market decreased by approximately 13.1% compared with the Last Corresponding Period, whereas sales in the US decreased by approximately 14.2% and sales in Canada increased by approximately 5.8%.

1.2 Europe and other overseas markets

In Europe, the Group still recorded declined revenue during the Review Period due to a series of reasons, such as the weak economic growth in the Europe and the Brexit. During the Review Period, sales of sofas in Europe and other overseas markets decreased by approximately 19.4%, including sales in the Europe decreased by approximately 22.5%.

1.3 *China market*

In the China market, the Group sells sofa and ancillary products to distributors at a wholesale price, and these distributors operate the "CHEERS" brand sofa stores. During the Review Period, the number of "CHEERS" brand sofa stores opened by the distributors increased by 270. As at 31 March 2017, the Group had a total of 1,504 retail stores operated by distributors in China. During the Review Period, wholesales of sofas and ancillary products by distributors in the China market grew by approximately 48.1% compared with the Last Corresponding Period.

2 Retail business of sofas and ancillary products

The Group has set up self-operated "CHEERS" and "MOREWELL" brand sofa retail stores in some first and second tier cities in Mainland China and Hong Kong to sell sofas and relevant ancillary products. Meanwhile, the Group also sold sofas and ancillary products directly to consumers via Internet platforms such as TMALL website (www.tmall.com).

During the Review Period, the Group continued to strengthen the management of existing stores and established a more effective incentive mechanism through systematically building operation standards involve ten aspects ("Ten Modules"), and effectively improved the sales performance of existing stores. During the Review Period, the number of the Group's self-operated "CHEERS" and "MOREWELL" brand sofa stores was adjusted from 100 at the beginning of the fiscal year to 99. The decrease in the number of self-operated stores was mainly because the Group converted some of the self-operated stores to stores operated by distributors. During the Review Period, revenue of the Group's sofa retail business increased by approximately 15.0%.

3 Business of other products

In addition to the focus on production and sales of sofas, the Group also produced and sold bedding products, chairs and other products to high-speed railways, chain cinemas and other business customers. Moreover, the Group also produced and sold some furniture parts and other products such as metal mechanism for recliners. The Group sold its bedding products mainly by setting up retail stores in Mainland China. In March 2016, the Group started to operate bedding products stores in Mainland China with "CHEERS Five-star Mattress" brand to replace the former "ENLANDA" brand. As at 31 March 2017, the Group had a total of 340 bedding brand stores operated by distributors (31 March 2016: 286) and another 23 self-operated bedding brand stores (31 March 2016: 25).

During the Review Period, revenue from other products of the Group increased by approximately 33.8% compared with the Last Corresponding Period.

4 The Business of Home Group

During the Review Period, the Group has invested in the Home Group, and has started to account for the Home Group as a subsidiary of the Group and consolidated the accounts of it since 31 December 2016.

During the three months ended 31 March 2017, the Home Group has achieved a total revenue of approximately HK$202,488,000. It has five sofa manufacturing factories in Poland, the Baltic States and Ukraine respectively, which are mainly engaged in the design and production of stationary sofas and sofa beds, and sells their products to many European furniture retailers. Benefited from its high cost-effective products and high quality service, many existing retailer clients increased their orders from the Home Group. As a result it recorded about 19.9% growth as compared with the three months ended 31 March 2016. The Home Group is currently expanding the factory in Ukraine to meet the growing demand of the business.

PRODUCT RESEARCH AND DEVELOPMENT

During the Review Period, the Group timely adjusted the direction of product research and development based on the changes in the market, launched a series of new sofas and bedding products with innovative functions. At the same time, the Group continued to strengthen the development of core components of recliners to further improve the proportion of self-produced parts, so as to effectively reduce the cost and improve the flexibility of product innovation. The Group introduced more than 280 new sofa and bedding products models during the Review Period.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2017	FY2016	Change (%)	**FY2017**	FY2016	**FY2017**	FY2016
Wholesale business of sofas and ancillary products	**6,170,509**	6,177,652	-0.1%	**79.4%**	84.3%	**40.5%**	37.6%
Retail business of sofas and ancillary products	**811,216**	705,393	15.0%	**10.4%**	9.6%	**62.2%**	59.6%
Other products	**594,802**	444,545	33.8%	**7.6%**	6.1%	**33.8%**	34.3%
Home Group business	**202,488**	–	n/a	**2.6%**	n/a	**27.4%**	n/a
Total	**7,779,015**	7,327,590	6.2%	**100.0%**	100.0%	**41.9%**	39.5%

During FY2017, total revenue rose by approximately 6.2% to approximately HK$7,779,015,000 (FY2016: approximately HK$7,327,590,000). The overall gross profit margin increased from approximately 39.5% to approximately 41.9% year-on-year. The main reason for the margin expansion was the price fall of main raw materials, the cost reduction resulting from the depreciation of RMB, and the fact that the Group has continued to improve the efficiency of internal operations.

During FY2017, the cost of goods sold rose by approximately 2.0%.

During the Review Period, excluding Home Group business, the Group produced approximately 960,000 sets of sofa products in China factories (FY2016: approximately 937,000 sets), representing an increase of approximately 2.5% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Wholesale business of sofas and ancillary products

During the Review Period, revenue from wholesale business of sofas and ancillary products was approximately HK$6,170,509,000, representing a decrease of approximately 0.1% as compared with approximately HK$6,177,652,000 recorded in the Last Corresponding Period.

1.1 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,471,181,000, down by approximately 13.1% compared with approximately HK$3,995,146,000 from the Last Corresponding Period. Of this, revenue from the US reached approximately HK$3,228,168,000, down by approximately 14.2% compared with approximately HK$3,761,105,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$237,010,000, increased by approximately 5.8% compared with approximately HK$223,926,000 from the Last Corresponding Period.

1.2 Europe and other overseas markets

During the Review Period, revenue from Europe and other overseas markets was approximately HK$636,692,000, down by approximately 19.4% compared with approximately HK$789,466,000 from the Last Corresponding Period. Of this, revenue from Europe reached approximately HK$364,724,000, down by approximately 22.5% compared with approximately HK$470,425,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$271,968,000, down by approximately 14.8% compared with approximately HK$319,041,000 from the Last Corresponding Period.

1.3 China market

During the Review Period, revenue from the China market reached approximately HK$2,062,636,000, up by approximately 48.1% from approximately HK$1,393,040,000 in the Last Corresponding Period.

During the Review Period, the Group continued to expand its store network in China market. Stores operated by distributors rose to 1,504 as of 31 March 2017 from 1,234 as of 31 March 2016, representing a growth of approximately 21.9%.

During the Review Period, the average sales per distributor store under CHEERS brand increased by approximately 20.9% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and the average number of stores is calculated as the arithmetic mean of stores at the beginning of the Review Period and those at the end of the Review Period respectively).

2 Retail business of sofas and ancillary products

2.1 Revenue from CHEERS brand sofa self-operated retail stores reached approximately HK$561,536,000, down by approximately 2.7% compared with approximately HK$577,287,000 in the Last Corresponding Period.

During the Review Period, the number of self-operated stores was adjusted to 99 as of 31 March 2017 from 100 as of 31 March 2016, down by approximately 1.0%.

During the Review Period, average sales per self-operated store increased by approximately 6.6% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and the average number of stores is calculated as the arithmetic mean of stores at the beginning of the Review Period and those at the end of the Review Period respectively).

2.2 Revenue from the internet and television platform reached approximately HK$249,680,000, up by approximately 94.9% from approximately HK$128,106,000 in the Last Corresponding Period.

3 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$594,802,000, representing an increase of approximately 33.8% as compared with approximately HK$444,545,000 in the Last Corresponding Period.

3.1 Retail revenue from bedding self-operated retail stores reached approximately HK$53,035,000, up by approximately 3.8% compared with approximately HK$51,116,000 in the Last Corresponding Period.

During the Review Period, the number of bedding self-operated retail stores was adjusted to 23 as of 31 March 2017 from 25 as of 31 March 2016, down by approximately 8.0%. During the Review Period, average sales per bedding self-operated retail store increased by approximately 23.2% from the Last Corresponding Period.

3.2 Wholesale revenue from bedding retail stores operated by distributors reached approximately HK$197,779,000, up by approximately 68.5% compared with approximately HK$117,367,000 in the Last Corresponding Period.

During the Review Period, the number of bedding stores operated by distributors was increased from 286 as of 31 March 2016 to 340 as of 31 March 2017, up by approximately 18.9%; and the average sales per bedding stores operated by distributors increased by approximately 54.8% from the Last Corresponding Period.

3.3 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$50,871,000, up by approximately 3.8% from approximately HK$48,993,000 in the Last Corresponding Period.

3.4 Revenue from furniture components reached approximately HK$293,117,000 (including approximately HK$186,870,000 from China market, approximately HK$27,582,000 from North America market, approximately HK$78,665,000 from Europe and other overseas market), up by approximately 29.1% from approximately HK$227,069,000 (including approximately HK$138,102,000 from China market, approximately HK$55,499,000 from North America market, approximately HK$33,468,000 from Europe and other overseas market) in the Last Corresponding Period. Most of the revenue was primarily from metal frame for reclining sofas and related ancillary products of the Group which were sold to business customers.

4 The Business of Home Group

During the period under review, the Group has invested in the Home Group, and consolidated the accounts of it into the consolidated financial statements of the Company since 31 December 2016.

During the three months ended 31 March 2017, the Home Group has achieved a total revenue of approximately HK$202,488,000. As it was the first time to consolidate the accounts of the Home Group to the consolidated financial statements of the Company in this fiscal year, the revenue of the Home Group for the three months ended 31 March 2016 was not included in the revenue of the comparable period. According to the management account of the Home Group, the revenue of the three months ended 31 March 2017 grew by approximately 19.9%, as compared to that of the previous year.

Cost of goods sold

Cost of goods sold breakdown

	FY2017 HK$'000	FY2016 HK$'000	Change *(%)*
Cost of raw materials	**3,639,586**	3,694,711	-1.5%
Labour costs	**701,986**	555,874	26.3%
Manufacturing overhead	**179,260**	180,978	-0.9%
Total	**4,520,832**	4,431,563	2.0%

Major raw materials in PRC factory	**Average unit cost year-on-year change (%)**	% of total cost of sales (%)
Leather	**-9.0%**	22.7%
Metal	**14.4%**	17.7%
PVC	**-14.2%**	1.3%
Wood	**-4.3%**	9.1%
Fabric	**-6.9%**	11.9%
Chemicals	**12.8%**	9.2%

Other income

During FY2017, other income of the Group decreased by approximately 9.2% to approximately HK$159,752,000 (FY2016: approximately HK$175,927,000). The decrease was mainly due to the fall in the income on structured deposits.

	FY2017 HK$'000	FY2016 HK$'000	Change (%)
Income from sale of industrial waste*	**40,817**	37,296	9.4%
Government subsidies**	**70,615**	56,861	24.2%
Income on structured deposits***	**7,602**	61,886	-87.7%
Interest income	**19,082**	2,773	588.1%
Others	**21,636**	17,111	26.4%
Total	**159,752**	175,927	-9.2%

Notes:

* Income from sale of industrial waste is revenue from the sale of non-reusable leather, cotton, wood etc. generated in the normal production process of the Group. During the Review Period, such income accounted for approximately 0.5% of total income (sale of industrial waste accounted for approximately 0.5% of total income in the Last Corresponding Period).

** Government subsidies mainly consist of subsidies from local governments to subsidiaries in China.

*** Income from structured deposits originated 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 principal and returns for all products.

Other gains and losses

During FY2017, other gains and losses of the Group amounted to gains of approximately HK$184,001,000 (the Last Corresponding Period: approximately HK$4,457,000). During the Review Period, other gains and losses of the Group amounted to approximately HK$170,536,000 (the Last Corresponding Period: approximately HK$14,974,000), mainly due to the foreign exchange gains.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 4.5% from approximately HK$1,229,313,000 in FY2016 to approximately HK$1,173,878,000 in FY2017. Selling and distribution expenses as a percentage of revenue decreased from approximately 16.8% in FY2016 to approximately 15.1% in FY2017, including:

(a) Overseas transportation and port fees decreased by approximately 16.1% from approximately HK$517,760,000 to approximately HK$434,174,000. Overseas transportation and port fees as a percentage of revenue decreased from approximately 7.1% in last year to approximately 5.6%;

(b) Rent, property management fees and utility decreased by approximately 13.3% from approximately HK$130,619,000 to approximately HK$113,246,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 1.8% to approximately 1.5%;

(c) Advertising, promotion and brand building expenses decreased by approximately 16.8% from approximately HK$154,889,000 to approximately HK$128,863,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 2.1% to approximately 1.7%;

(d) Salaries, welfare and commissions of sales staff increased by approximately 9.3% from approximately HK$201,117,000 to approximately HK$219,893,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.7% to approximately 2.8%; and

(e) Domestic transportation expenses increased by approximately 56.6% from approximately HK$47,414,000 to approximately HK$74,243,000. Domestic transportation expenses as a percentage of revenue increased from approximately 0.6% to approximately 1.0%.

Administrative expenses

Administrative expenses increased by approximately 6.0% from approximately HK$344,913,000 in FY2016 to approximately HK$365,441,000 in FY2017. As a percentage of revenue, administrative expenses were approximately 4.7% (FY2016: approximately 4.7%), including:

(a) Salaries and welfare of employees increased by approximately 1.6% from approximately HK$151,886,000 to approximately HK$154,252,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.1% to approximately 2.0%; and

(b) Depreciation and amortization expenses decreased by approximately 6.1% from approximately HK$73,039,000 to approximately HK$68,559,000. Depreciation and amortization expenses as a percentage of revenue decreased from approximately 1.0% to approximately 0.9%.

Share of results of a joint venture

During the Review Period, no profit or loss was shared from a joint venture (FY2016: loss of approximately HK$221,000).

Finance costs

The finance costs decreased by approximately 14.2% from approximately HK$11,964,000 in FY2016 to approximately HK$10,271,000 in FY2017, of which interest expense of bank loans decreased by approximately 24.3% from approximately HK$11,964,000 in FY2016 to approximately HK$9,054,000 in FY2017.

Income tax expense

Income tax expense increased by approximately 95.2% from approximately HK$150,182,000 in FY2016 to approximately HK$293,222,000 in FY2017. The proportion of income tax expense to profit before tax increased from approximately 10.1% in FY2016 to approximately 14.3% in FY2017.

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 32.0% from approximately HK$1,327,244,000 in FY2016 to approximately HK$1,752,370,000 in FY2017. The net profit margin of the Group continued to increase from approximately 18.1% in FY2016 to approximately 22.5% in FY2017. 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 gross profit margin increased from approximately 39.5% in FY2016 to approximately 41.9% in FY2017.

Dividends

The Board has proposed a final dividend of HK14 cents per share for the FY2017. During the FY2017, the Board has already declared and paid an interim dividend of HK14 cents per share. Total dividends declared for FY2017 accounted for approximately 61.0% of the profit attributable to owners of the Company.

Working capital

As at 31 March 2017, the Group's bank balances and cash were approximately HK$1,808,298,000.

The Group has been committed to maintain the sound financial policy. The Group continues to improve its operational efficiency in order to reduce turnover days of the working capital. During the Review Period, turnover of the working capital was good. Benefiting from the steady and healthy development of the Company's business, it can effectively manage its cash flow and capital commitments. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing the sustainable and stable dividend return to shareholders. The Group has not experienced and does not expect to experience any difficulties in meeting its obligations when they are due.

Liquidity and capital resources

As at 31 March 2017, the Group's short-term borrowings amounted to approximately HK$1,047,636,000, all of which were repayable within twelve months from 31 March 2017. All of the borrowings bore floating interest rates.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2017, the Group's current ratio was approximately 1.9 (31 March 2016: approximately 3.0). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2017, the Group's gearing ratio was approximately 21.3% (31 March 2016: approximately 5.3%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

Allowance for inventories

For FY2017, the Group reversed impairment allowance for inventories of approximately HK$2,781,000 (FY2016: provided impairment allowance of approximately HK$2,099,000).

Impairment loss on and written off of trade and other receivables

For FY2017, the Group did not record any impairment loss on trade and other receivables (FY2016: approximately HK$5,356,000).

Pledge of assets

As at 31 March 2017, there was approximately HK$9,364,000 restricted bank balances. As of 31 March 2017, some subsidiaries of the Group pledged certain assets for financing, including property, plant and equipment with book value approximately HK$103,204,000, inventories with book value approximately HK$8,598,000.

Capital commitments and contingent liabilities

Save as disclosed in note 34, the Group did not have any material capital commitment as at 31 March 2017.

As at 31 March 2017, 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 the functional currency of respective Group entities. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD, which efficiently avoided the exchange rate fluctuation risk of settlement in other currencies. The Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB and HKD. The revenue of Home Group's current business in Europe was settled mainly in Euro, while the cost was settled mainly in Euro, UAH and PLN. The Group conducts its sales in the overseas markets and the Mainland China, and also procures raw materials from both the Mainland China market and overseas markets, which is favorable to achieve natural hedging against foreign exchange risk.

Significant investments and acquisitions

Investment in Home Group

On 20 November 2016, Man Wah Group Limited ("MW Group"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement (the "Agreement") with Home Group International Ltd. ("HG International") and Home Group Ltd.. In accordance with the Agreement, HG International shall cause 75% of the equity interest of the majority of entities of Home Group's operating companies in Poland, the Baltic States and Ukraine transferred to a subsidiary of Home Group Ltd.. MW Group will subscribe for a 50% shareholding interest in Home Group Ltd.. Upon the transfer of aforesaid equity interest, MW Group will pay an initial payment of Euro 14 million in cash to Home Group Ltd., with another three instalments of cash consideration and adjusted amounts being payable, up to an aggregate of Euro 50,692,890. Meanwhile, MW Group will also directly purchase from HG International an additional 2.5% equity interest in certain of the subsidiaries of Home Group Ltd. for an aggregate cash consideration of US$1.35 million.

During the Review Period, the Group injected an initial amount of Euro 14 million in cash to Home Group Ltd. in the form of capital injection in accordance with the Agreement to subscribe for the 50% shareholding interest in Home Group Ltd. and the cash consideration of US$1.35 million to subscribe for 2.5% direct equity interest in certain of the subsidiaries of Home Group Ltd.. The Group started to consolidate the accounts of the Home Group into the consolidated financial report of the Group since 31 December 2016.

Further information on the Group's investment in the Home Group was set out in the announcements of the Company dated 20 November 2016 and 25 January 2017 respectively.

Development of a Piece of Land in Wu Jiang

Reference is made to the announcement of the Company dated 26 October 2011 relating to the acquisition of land in Wujiang. According to the said announcement, the Group has acquired a piece of land in Wujiang, PRC through an indirect wholly-owned subsidiary of the Company, for RMB217,246,470.

The original development plan of the land included developing a commercial complex, including furniture shopping mall, office building, apartments and residential premises. The commercial complex is developed mainly for sale.

After careful study on the local market, the development plan of the land was adjusted as follows:

- for constructing a Cheers furniture products flagship store;
- for developing a high end hotel and an international recognized hotel management company will be invited to manage the hotel; and
- for developing residential premises, mainly for sale.

As at 31 March 2017, the Group has completed most of the construction works. Based on current plan, the flagship store will be opened in June 2017. The hotel may come into operation in 2018. The residential premises will be ready for pre-sale in second half of 2017 and delivery to buyers in the second half of 2018. The above timetable is subject to change due to uncertainties in relation to market conditions and government approval etc.

As of 31 March 2017, the Group has invested a total of approximately HK$521,752,000 in the development of the land (including acquisition of the land).

Except for above, the Group did not have any other significant investments or acquisitions or sales of subsidiaries or associates or joint ventures during the Review Period.

Human Resources

As at 31 March 2017, the Group had 10,495 employees (31 March 2016: 10,985 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. Meanwhile, the Group also devoted to enhancing the production and operating efficiency. By increasing the standardization and automation level of the production process and improving the operation management process, the Group reduced the number of employees while maintaining the steady revenue growth momentum during the Review Period.

During FY2017, the total staff cost for the Group amounted to approximately HK$1,076,385,000 (FY2016: approximately HK$931,011,000), of which approximately HK$16,937,000 (FY2016: approximately HK$19,196,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees based on their performance. 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.

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 irrevocable duty and responsibility of "bringing healthy, comfortable, valuable and stylish home to thousands of families".

This report summarizes the actions and achievements of 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 public welfare activities for the year ended 31 March 2017 ("FY 2017", the "Review Period" or the "Current FY"), thereby reflecting the progress achieved by the Group during the current FY.

1. Environmental Protection

The Group strived to enhance operational efficiency. Meanwhile, it took lots of measures to reduce the impact on the environment. The processes of its product design, factory design and supplier selection were always in accordance with the highest standards of environmental protection, so as to reach a high degree of integration in the efficiency improvement, resource conservation, environmental protection and healthy products.

1.1 Energy Saving and Emission Reduction

In the furniture production process, the Group increased the utilization rate of resources by improving the production procedure continuously and using more environmentally friendly materials and equipments, so as to reduce costs while minimizing the impact on the environment. As it would generate a certain amount of waste water, gas emissions and solid wastes in the furniture production process, the Company has adopted a series of effective measures.

In terms of waste water treatment, the Group has self-constructed domestic sewage treatment systems in the main factories in China. Around 260,000 tons of domestic sewage has been treated during the Review Period, down by approximately 27.0% as compared to last year. All treated up to standard domestic sewage has been recycled and reused, saving approximately 75,449 tons of water (Last Corresponding Period: approximately 72,500 tons).

In order to ensure air quality in the workplace, the Group established the full-circumference exhaust gas collection device in all sponge factories, where plasma photolysis and activated carbon adsorption processes were used to treat the exhaust gas. (Please refer to the pictures below)

Sponge Foam Exhaust Gas Treatment Unit 1

Sponge Foam Exhaust Gas Treatment Unit 2

In the carpentry workshop, the Group used new dust removal equipment in all manufacturing base in China, in order to lower the dust concentration effectively, reduce exhaust emission, and protect the health of the practitioners. Moreover, waste water of the panel-type furniture factory can be reused on the production line after treatment, so as to save water resources. By establishing the enclosed type spraying device, harmful gases will not leak, thus ensuring the safe working environment of employees. (Please refer to the pictures below)

Dust Treatment Unit in Carpentry Workshop

Dust Collection Unit in Carpentry Workshop

Wastewater Treatment of Panel-Type Furniture Device

Sealed Spraying Device

As for industrial waste including broken sponge, scrap leather, wood chips, etc. generated during production, the Company has signed purchase agreements with third parties to ensure the recycling of all industrial wastes and prevent environmental pollution.

1.2 Resources Consumption

The Group acknowledged the importance of operation-wide consumption of energy. Therefore, the Group has set up 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 in respect of energy imports and exports and incentive and constraint mechanisms for energy-saving have been established and improved. 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.

During FY 2017, total electricity consumption of the Group's sofa production bases in China was approximately 42,300,000 kWh, an increase of approximately 9.5% as compared to the Last Corresponding Period. Total water consumption was about 714,400 tons, decreased by approximately 5.3% as compared to the Last Corresponding Period (about 754,600 tons). The reason for the increase in electricity consumption lies in the expanding scale of production on one hand, and on the other hand, the increase in the percentage of self-produced parts and automation equipments.

During the Review Period, the Group completed energy-saving renovation of the central air-conditioning system in Huizhou factory, and upgraded the lighting system of the whole factory to LED lighting equipment, which reduced electricity consumption of approximately 1,260,000 kWh throughout the period thereafter.

1.3 Environmental Sustainability

The Group has been committed to the protection of natural resources and reduction of resource wastage across its operation, which has become integral to its corporate culture.

Following the completion of the factories in Huizhou and Wujiang, a solar photovoltaic system at the rooftops at the Huizhou new production base was put into operation in July 2016. During the Review Period, the three production bases of the Group generated power capacity of approximately 17,300,000 kWh from photovoltaic systems, representing approximately 41.0% of the total electricity consumption of sofa production bases as compared to the Last Corresponding Period.

Solar Photovoltaic System on Rooftop of New Huizhou Factory

Vegetable Greenhouse in Huizhou Factory

2. Operating Practices

The Group's sofa brand "Cheers" was awarded the accolades of "Consumers' Favorite Brand of Furniture" and "Green Furniture Products," and its products continued to gain consumer recognition. Providing the best-quality home products and services to billions of consumers around the world is the Group's commitment to consumers, and also the foundation for its constant and robust growth. The Group's employees must abide the anti-corruption policy strictly so as to maintain the Group's reputation.

2.1 Product Liability

A. *Raw material management and control:*

In order to provide healthy and comfortable products to customers and ensure the product quality, the Group always uses high quality materials from the product design stage and sets up an comprehensive supplier evaluation system. Only suppliers, whose scale, industry position, quality control and reputation that can satisfy the Group's required standard can enter into supply chain system of the Group. For selection of raw materials, the Group makes sure the quality and environmental indicators could meet relevant national regulations and industry standards and standards in clients countries, and it adheres to strict and reasonable raw material specification table, defining the nature, quality policy and safety indicators of raw materials, and providing quantitative and definite standards for procurement and inspection of raw materials. The Group has introduced a variety of special testing equipments, for example: the heavy metal content tester is used to check if the heavy metal content in raw materials such as fabrics, paint and plywood complies with national standards; Martindale abrasion tester is used to test the abrasion resistance of leather and ensure the quality of raw materials; vertical low-temperature flexing tester is used to test the smoothness and durability of fabrics at a low temperature environment.

B. *Product quality monitoring:*

To ensure the Group provides the highest quality products to customers, it has developed a set of strict quality management procedures, covering the whole process from supplier selection, materials testing, process control, pre-delivery tests, third-party inspection and certification, after-sales service and product quality tracking, and has recorded and tracked the whole process by the IT system. Based on the strict standards of the world's respected third-party testing organizations, the Group has established testing systems for raw materials, flame retardant, electronic hardware, metal frame, foam, leather, fabric, cloth, semi-finished and finished products. The Group has attained ISO9001 quality management system, ISO14001 environmental management system and China Environmental Labeling Product Certifications. In addition to meeting inspection standard of customers, the Group regularly sends its products to third-party authoritative organization for testing.

During the FY2017, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group with regards to product responsibility.

2.2 Supply Chain Management

When selecting suppliers, the Group conducts an on-site assessment of its industry position, production capacity, technical capability, quality control systems, production environment, testing capability and personnel quality, requiring relevant qualifications and certifications. Only those who pass the assessment can qualify as its suppliers. In addition, suppliers are managed by hierarchies based on their average monthly purchase volume, and suppliers are paid as scheduled to enable suppliers can grow together with the Group, in return to provide high quality raw materials.

The Group has constantly improved accuracy of sales and production forecast, which further reduced safe stock and thus improved inventory turnover.

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 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 make the integral mechanism more effective and complete. 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.

The Group has strengthened the supervision of anti-corruption, while ensuring daily supervision channels. In addition, the Group has set up a corruption reporting platform to encourage real-name reporting of corruption and theft of corporate property during the production and operation. By public WeChat ID, telephone and office automation system, this platform has realized efficient and effective communication between the suppliers, consumers, grass-roots staff and management personnel, with the reward system established for informers.

Through continuous improvement of internal operation efficiency and constant promotion of the internal control system, the Group sets up related policies and procedures for the majority of business activities, and implements regular inspection on compliance with policies and procedures. The Group also reviews the business monthly to find out abnormality in the business in time.

During the FY2017, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group relating to anti-corruption.

3. Working Environment

The Group always regards talents as the most valuable resource, providing staff with a comfortable and efficient working environment, developing labor standards in strict accordance with the national Labor Law, focusing on employee health and safety measures, offering training and development opportunities as well as broad career promotion channel for employees. The Group also advocates the work-life balance of employees.

The Group has set up a series of policies and procedures on human resources management, including but not limiting to: recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, benefits and welfare, preventing child and forced labour etc.

It has set up detailed employee selection procedures to make sure only qualified employees can be recruited to the Group. Based on requirement of different positions, the Group has developed training manuals and programs for employees. In order to better motivate employees, provide equal opportunities to them and evaluate them to make sure their behaviors are in line with the Group's goal, the Group has set up a comprehensive performance evaluation system. Benefited from strong information system and management accounting system, the Group tries to evaluate performance of different level employees and management by actual numeric key performance indicators ("KPI"), and reduce proportion of subjective judgment in people evaluation. At the same time, the Group has set up a series of incentive bonus programs based on above KPI. The grant of share options is also based on annual KPI of managers.

The Group cooperates with many big furniture retailers. These clients conducted regular social responsibility audit to factories of the Group, including detailed checking on working and living environment of workers, preventing child and forced labour etc. The Group maintained a good record during these factory audits. This is also part of the reasons that the Group can keep long term cooperation with these furniture retailers.

3.1 Health & Safety

During the Review Period, the Group had adhered to implement the following measures to protect employees' occupational health and safety:

1. conducting three-level safety training for new employees and on-the-job safety training;

2. establishing voluntary fire brigade, purchasing professional fire and emergency rescue equipment; regularly holding fire evacuation drills to improve the safety awareness of total employees;

3. regularly arranging health check of employees at the positions with occupational hazards, supervising employees to wear labor protection products;

4. while procuring the equipment, the safety of the equipment is always the first evaluation index – devices are used to prevent occupational injuries during production, such as the use of infrared detector and nail gun protector on punching machines, etc;

5. strengthening the on-site identification and rectification of hidden production safety accident, and implementing the main responsibility of enterprise to protect the health and safety of employees;

6. establishing a centralized system of supplier assessment, procurement and inspection for food materials of staff canteens; and

7. installing central air-conditioning systems at main production areas.

During the FY2017, the staff accidental injury rate within the Group declined, and the number of lost working days due to work-related injuries fell approximately 39.1% as compared with FY2016.

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group relating to health and safety.

3.2 Staff Training

The Company attaches great importance to the development and cultivation of talents. In addition to the organization of regular on the job training and management training, the Company also continues to develop 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, the Group spent training expenses approximately HK$6.14 million (Last Corresponding Period: approximately HK$9.08 million), details of which are as follows:

(1) For junior staff:

* offer training classes for production leaders, which have cultivated nearly 360 (450 in the Last Corresponding Period) outstanding team leaders during the Review Period, and have trained accumulatively more than 1,310 outstanding team leaders within the past five years;

* offer training to production technicians, which have cultivated 350 (422 in the Last Corresponding Period) professional technicians during the Review Period, and have trained accumulatively 892 outstanding technicians within the past five years;

* offer junior college academic classes, which have helped 84 employees (100 employees in the Last Corresponding Period) to enroll in junior college or undergraduate college academic courses of Huizhou College and obtain the college diploma during the Review Period.

(2) For store sales:

offer classes to junior business representatives and regional training classes, which have cultivated 1,698 outstanding business representatives (5,541 in the Last Corresponding Period) during the Reporting Period.

(3) For franchisees and certain middle-level executives:

* offer franchisees training classes to improve the management and operating capabilities of franchisees, which have trained 2,780 franchisees and store managers during the Review Period;

* offer an EDP class and a mini MBA class in cooperation with the Research Institute of Tsinghua University. A total of 61 employees (122 employees in the Last Corresponding Period) graduated and obtained certificates from the trainings in cooperation with Research Institute of Tsinghua University during the Review Period;

(4) Middle-level talent pool plan:

Golden Seed talent pool plan: Since 2011, the Company has recruited outstanding graduates every year from well-known universities through campus recruiting. As of the end of the Review Period, we have offered ten cadres reserve classes, in which five classes have been offered during the Review Period. 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.

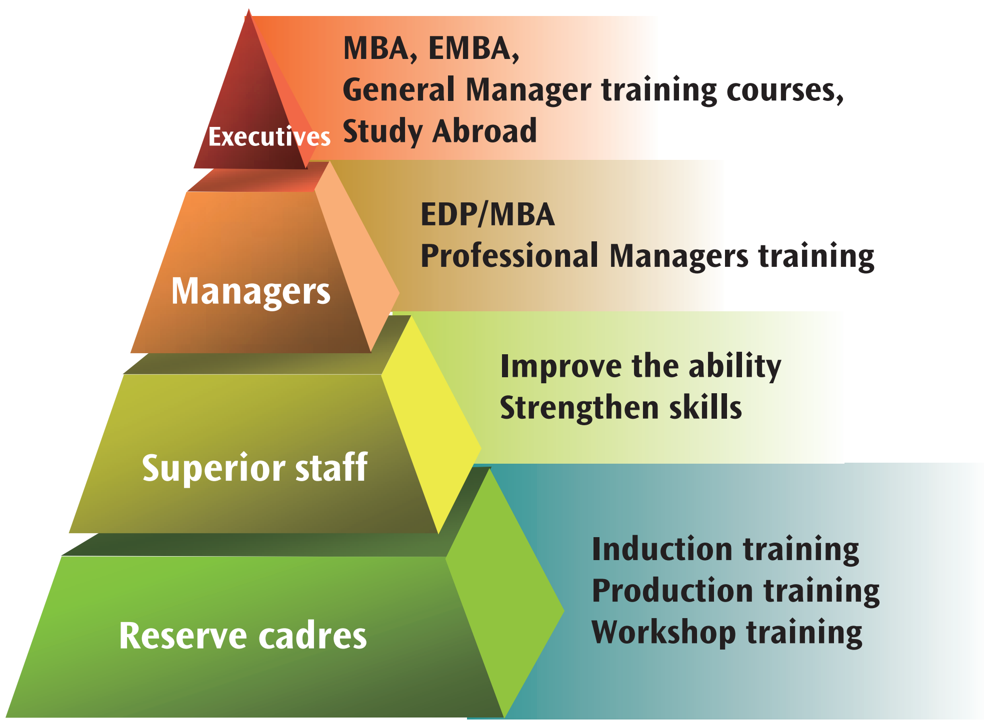
(5) Cadre Trainee Program:

In order to reserve talents in expanding the overseas market, during the Review Period, the Company has launched cadre trainee program, by recruiting outstanding students from overseas, and has developed a systematic training program to learn about the production process and product knowledge on the spot, and to participate in marketing activities. During the Review Period, the Company has started the first training class.

(6) For certain executives:

1. EMBA education: cooperate with domestic and foreign well-known business colleges and select executives to join EMBA courses and general manager training courses;

2. Observation and study abroad: During the Review Period, the Company has sent 24 executives (36 executives in the Last Corresponding Period) abroad to observe and study overseas furniture markets, and learn advanced management experiences;



(7) 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 the Company, has currently awarded student grants (a total of nearly RMB2,907,000) to seven groups of applicants (184 employees in total) since its founding in May 2010. Among these grants, a total of over RMB457,000 has been granted to 29 employees since May 2010.

3.3 Staff Development and Motivation

In recent years, the Company has provided management and professional channels for staff career development, initially established qualification standards and excellent staff study points system to provide a standard basis for staff promotion and career development. The Company carried out organizational and talent inventory, and adopted comprehensive assessment of performance and capability to retain reserve talents for key positions of the Company.

The Company has conducted the classified management for talents, provided the appropriate promotion, salary adjustment, job transfer, training and other development plans according to the talent situation, carried out internal personnel selection according to the business development, and has built a broader platform for staff development.

Benefiting from the strong information system and management accounting system, the Company has developed a monthly comprehensive quantitative performance appraisal system for staff at the manager-level and above, determining their rewards completely based on objective data basis. In addition to cash bonus, the Company has developed the share option incentive scheme covering all officers at the manager level and above. During the Review Period, the Company had granted 8,863,600 share options to 459 officers at the manager level and above (Last Corresponding Period: the Company granted 12,941,600 share options to 511 officers at the manager level and above).

The May Day Evening Party

3.4 Work-Life Balance

The Group has been committed to providing employees with ideal working conditions and fully relaxing rest environment. In the staff living area of major factories, the Company has established Staff Club to offer a variety of sports equipment, cinema, library and other facilities, and regularly held various activities for staff, such as various competitions, training classes and staff evening parties, etc.

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group relating to human resources management, including preventing child and forced labour.

4. Public Welfare

The Group has been actively involved in various social welfare activities in different ways to give back to society, such as donations to the Community Chest, the Hong Kong Celebration Association etc. In addition donations from time to time, the Group also organized various volunteering activities for its employees, customers and even suppliers, incorporating social services into the team-building activities. The Group was able to give back to society and at the same time improved the quality and the sense of belonging of its staff to the Company.

During the Review Period, the Group donated a total of approximately HK$17,560,000 towards public welfare (Last Corresponding Period: approximately HK$19,461,000).

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 (the "Board") of directors (the "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 (the "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 Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (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 meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and consistent leadership enabling the Group to operate efficiently.

Under the Code Provision A.6.7, independent non-executive directors and non-executive director should attend general meetings of the Company. Mr. Kan Chung Nin, Tony, an independent non-executive director and Mr. Xie Fang, a non-executive Director (resigned on 14 July 2016) could not attend the annual general meeting of the Company held on 13 July 2016 due to other business commitments.

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 to 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 and its code of conduct regarding directors' securities transactions. 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 the CG Code include:

1. developing and reviewing the Company's policies and practices on corporate governance;

2. reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors of the Company; and

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

During the Review Period, the Board in particular 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 13 July 2016, the Company has not held any other general meeting.

Attendance records

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

Board	Meetings attended/Eligible to attend
	Annual General Meeting
Executive Directors	
Mr. Wong Man Li *(Chairman)*	1/1
Ms. Hui Wai Hing	1/1
Mr. Wang Guisheng	1/1
Mr. Alan Marnie	0/1
Mr. Dai Quanfa	0/1
Ms. Wong Ying Ying	0/1
Non-executive Director	
Mr. Xie Fang (resigned on 14 July 2016)	0/1
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	1/1
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)	1/1
Mr. Ong Chor Wei	1/1
Mr. Kan Chung Nin, Tony	0/1
Mr. Ding Yuan (appointed on 31 December 2016)	0/0

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	√	√
Non-executive Director		
Mr. Xie Fang (resigned on 14 July 2016)	√	√
Independent non-executive Directors		
Mr. Ong Chor Wei	√	√
Mr. Chau Shing Yim, David	√	√
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)	√	√
Mr. Kan Chung Nin, Tony	√	√
Mr. Ding Yuan (appointed on 31 December 2016)	√	√

BOARD OF DIRECTORS

As at 31 March 2017, the Board comprised six executive Directors and four independent non-executive Directors (the "INEDs"). 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 of the Board (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 each of the Company's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "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 (the "Bye-laws").

The company secretary of the Company (the "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	4/4
Non-executive Director	
Mr. Xie Fang (resigned on 14 July 2016)	2/2
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	4/4
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)	3/3
Mr. Ong Chor Wei	4/4
Mr. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan (appointed on 31 December 2016)	0/0

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 NED 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 the Company and mapping its 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, Mr. Xie Fang ("Mr. Xie"), was approved by shareholders as poll results of the Annual General Meeting (the "AGM") held on 7 July 2015. As announced by the Company on 13 July 2016, Mr. Xie has resigned as a non-executive Director and member of the audit committee of the Company with effect from the date following the annual general meeting of the Company on 13 July 2016, i.e. 14 July 2016. Mr. Xie had confirmed that there was no disagreement with the Board and there were no other matters relating to his resignation that need to be brought to the attention of the shareholders of the Company and the Stock Exchange.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has 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 68 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

The Audit Committee has been established with specific written terms of reference which deal clearly with its authorities and duties. As at 31 March 2017, the Audit Committee consisted of three INEDs, namely, Mr. Chau Shing Yim, David, Mr. Mr. Ong Chor Wei and Mr. Ding Yuan. 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 the Group's external auditors;
- to review external auditors' reports;
- to review the cooperation given by the Group's officers to the external auditors;
- to review the Group's 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 the Group's 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 included, overseeing the relationship with the Company's external auditor, reviewing financial information of the Group, and overseeing of the Group's financial reporting system, internal control procedures and risk management system, and the effectiveness of the Group's internal audit function. The Company has adopted a term of reference of the Audit Committee, which complies with the provisions of the CG 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 (resigned on 31 December 2016)	2/2
Mr. Ong Chor Wei	2/2
Mr. Xie Fang (resigned on 14 July 2016)	2/2
Mr. Ding Yuan (appointed on 31 December 2016)	0/0

Nomination Committee

The Nomination Committee has been established with specific written terms of reference which deal clearly with its authorities and duties. As at 31 March 2017, the Nomination Committee consisted of three INEDs, namely, Mr. Chau Shing Yim, David, Mr. Kan Chung Nin, Tony and Mr. Ding Yuan, 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, one meeting of the Nomination Committee was held and the Nomination Committee reviewed the structure of the Board and determined the policy for the nomination of Directors.

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)*	1/1
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)	1/1
Mr. Chau Shing Yim, David	1/1
Mr. Wang Guisheng	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan (appointed on 31 December 2016)	1/1

Remuneration Committee

The Remuneration Committee has been established with specific written terms of reference which deal clearly with its authorities and duties. As at 31 March 2017, the Remuneration Committee consisted of three INEDs, namely, Mr. Ding Yuan, 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:

- to review the remuneration of the executive Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration; and
- to assess performance of the executive Directors and determine specific remuneration packages for each executive Director and the Group's 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 included 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 30 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)* (resigned on 31 December 2016)	2/2
Mr. Ding Yuan *(Chairman)* (appointed on 31 December 2016)	1/1
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

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:

(a) 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

(b) 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 2017 with a term from 1 April 2017 until 31 March 2018.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is of the opinion that sound internal control and risk management 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 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 annually.

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 Company has an internal audit function.

The Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and 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 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	2,935
Non-statutory audit services:	
Review of interim financial information	640
Others	356
	3,931

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.

The directors (the "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.

BUSINESS REVIEW

A fair review of the Group's business, an indication of likely future development in the Group's business, an analysis using financial key indicators as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) can be found in the "Chairman Statement" and "Management Discussion and Analysis" section, which form part of this Directors' Report of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The followings are part of the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Competition

The products of the Group are sold in over 60 countries. The Group needs to compete with global sofa manufactures as well as a lot of local players. If it can not maintain its advantages in cost control, design, quality and service, it may lose its market share in major markets.

Macroeconomic environment

Currently, the Group's products are mainly sold in North America, China, Europe and other markets. Any negative macroeconomic change in its major markets may affect its sales growth or margins adversely. The Group needs to keep increasing its key competences to reduce possible impacts from macroeconomy.

Besides, oversea transportation cost is one of the most important expense elements of the Group. Change of global economy plays a significant role in affecting shipping rate, which consequently may affect the Group's profitability or revenue growth.

Supply chain

For sofa production, the Group needs to source leather, wood, chemical materials from global market. It needs to plan carefully in advance on quantity, delivery time, material specifications etc. with its major suppliers. This will help it to match the delivery of materials with its production plan, try to avoid waiting time of its factories or customers. At the same time, the Group needs to keep its inventory level as low as possible to control cost. Any disruption in supply chain may cause the increase of production cost or delay in delivery to its customers. In order to lower the risk from supply chain, the Group has set up a comprehensive planning system for material procurement. At the same time, for each major material, the Group has at least two qualified suppliers and keeps reviewing the competency of suppliers on timely basis.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Bermuda.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and a joint venture are set out in notes 40 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 70 of this annual report.

An interim dividend of HK14.0 cents per Share amounting to approximately HK$533,101,000 were paid to the shareholders of the Company ("Shareholders") during the Review Period. The Directors recommend the payment of a final dividend of HK14.0 cents per Share to the Shareholders on the register of members on Friday, 21 July 2017, amounting to approximately HK$536,536,000.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2017. 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 approximately HK$2,054,000.

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

SHARE CAPITAL

Details of movements during the Review Period in the share capital of the Company are set out in note 29 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:

	2017	2016
	HK$'000	HK$'000
Contributed surplus	**173,462**	1,153,982
Accumulated losses	**(694,933)**	(688,002)
	(521,471)	465,980

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.

The Company's distributable reserves as at 24 May 2017, being the latest practicable date prior to the despatch of this annual report, were HK$821,889,000.

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

Non-executive Director
Mr. Xie Fang (resigned on 14 July 2016)

Independent Non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Lee Teck Leng, Robson (resigned on 31 December 2016)
Mr. Ong Chor Wei
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan (appointed on 31 December 2016)

In accordance with bye-law 102 of the Company's bye-laws, Mr. Ding Yuan will retire at the forthcoming annual general meeting.

In accordance with bye-law 99 of the Company's bye-laws, Mr. Wong Man Li, Ms. Hui Wai Hing, and Mr. Ong Chor Wei will retire by rotation. Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Ong Chor Wei and Mr. Ding Yuan all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Wednesday, 12 July 2017.

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 2017, 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 set out in Appendix 10 to 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	2,432,961,600[2]	63.60%
	Spouse	2,334,400[2]	0.06%
	Beneficial owner	2,648,400[2]	0.07%
Ms. Hui Wai Hing	Beneficial owner	2,334,400[3]	0.06%
	Spouse	2,435,610,000[3]	63.67%
Mr. Wang Guisheng	Beneficial owner	5,394,800[4]	0.14%
Mr. Alan Marnie	Beneficial owner	800,000[5]	0.02%
Mr. Dai Quanfa	Beneficial owner	2,248,800[6]	0.06%
Ms. Wong Ying Ying	Beneficial owner	1,996,000[7]	0.05%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,825,639,200 Shares issued as at 31 March 2017.

2. These 2,432,961,600 Shares were beneficially owned by Man Wah Investments Limited which, in turn, was owned by Mr. Wong Man Li and Ms. Hui Wai Hing as to 80% and 20%, respectively. Mr. Wong was therefore deemed to be interested in the entire 2,432,961,600 Shares held by Man Wah Investments Limited. Mr. Wong was also the sole director of Man Wah Investments Limited. Mr. Wong also held 2,029,600 Shares and 618,800 Share Options (as defined below) granted to him under the Share Option Scheme (as defined below) respectively. Upon exercise of the Share Options, Mr. Wong would directly own an aggregate of 2,648,400 Shares. Mr. Wong was also deemed, under Part XV of the SFO, to be interested in the 2,334,400 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, had a long position.

3. These 2,334,400 Shares represented the 1,468,000 Shares and the 866,400 Share Options granted to Ms. Hui under the Share Option Scheme respectively. Upon exercise of the Share Options, Ms. Hui would own an aggregate of 2,334,400 Shares. Ms. Hui was also deemed, under Part XV of the SFO, to be interested in the 2,435,610,000 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui was interested (i.e. 2,648,400 Shares as beneficial owner and 2,432,961,600 Shares as interest in a controlled corporation).

4. This figure represents the aggregate number of 3,203,200 Shares held by Mr. Wang and the 2,191,600 Share Options granted to Mr. Wang under the Share Option Scheme. Upon exercise of the Share Options, Mr. Wang would own an aggregate of 5,394,800 Shares.

5. This figure represents the aggregate number of 800,000 Share Options granted to Mr. Marnie under the Share Option Scheme. Upon exercise of the Share Options, Mr. Marnie would own an aggregate of 800,000 Shares.

6. This figure represents the aggregate number of 603,200 Shares held by Mr. Dai and 1,645,600 Share Options granted to Mr. Dai under the Share Option Scheme. Upon exercise of the Share Options, Mr. Dai would own an aggregate of 2,248,800 Shares.

7. This figure represents the aggregate number of 1,566,400 Shares held by Ms. Wong and 429,600 Share Options granted to Ms. Wong under the Share Option Scheme. Upon exercise of the Share Options, Ms. Wong would own an aggregate of 1,996,000 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 2017, 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 ended 31 March 2017 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 2017, 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	2,432,961,600	63.60%

Note:

1. The percentage of the Company's issued share capital is based on the 3,825,639,200 Shares issued as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, 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, a share option 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 (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 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 63,704,220 which represents approximately 1.67% 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 2017, since the adoption of the Share Option Scheme and as refreshed with effect from 7 July 2015, as a poll results of the annual general meeting, the total number of share options the Company granted to the employees and some of the Directors and their connected persons and amounted to 129,947,800 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 63,704,220 share options representing approximately 1.67% of the 3,825,639,200 Shares in issue as at the date of this report.

SHARE OPTIONS

On 5 March 2010, the 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 Share Option 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 1.4.2016	Granted during the Review Period	Cancelled/ Lapsed Review Period	Exercised during the Review Period	Adjustment on 4.8.2016	Outstanding at 31.3.2017
Mr. Wong Man Li	1.2.2013	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.80	272,000	–	–	(544,000)	272,000	–
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	198,800	–	–	(397,600)	198,800	–
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	198,800	–	–	–	198,800	397,600
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.12			74,000	–	–	–	74,000
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.12			74,000	–	–	–	74,000
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.12			73,200	–	–	–	73,200

						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 1.4.2016	Granted during the Review Period	Cancelled/ Lapsed Review Period	Exercised during the Review Period	Adjustment on 4.8.2016	Outstanding at 31.3.2017
Ms. Hui Wai Hing	1.2.2013	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.80	192,000	–	–	(384,000)	192,000	–
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	158,000	–	–	(316,000)	158,000	–
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	158,000	–	–	–	158,000	316,000
	27.1.2016	27.1.2016 – 26.1.2018	27.1.2018 – 26.1.2020	8.92	4.46	86,000	–	–	–	86,000	172,000
		27.1.2016 – 26.1.2019	27.1.2019 – 26.1.2021	8.92	4.46	85,600	–	–	–	85,600	171,200
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.12			69,200	–	–	–	69,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.12			69,200	–	–	–	69,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.12			68,800	–	–	–	68,800
Mr. Wang Guisheng	8.2.2012	8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	1.18	108,000	–	–	(216,000)	108,000	–
	1.2.2013	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.80	515,200	–	–	(1,030,400)	515,200	–
	22.1.2014	22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	3.64	511,200	–	–	(1,022,400)	511,200	–
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	467,200	–	–	(934,400)	467,200	–
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	466,800	–	–	–	466,800	933,600
	26.1.2016	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46	274,800	–	–	–	274,800	549,600
		26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46	274,400	–	–	–	274,400	548,800
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.12			53,200	–	–	–	53,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.12			53,200	–	–	–	53,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.12			53,200	–	–	–	53,200
Mr. Alan Marnie	21.5.2014	21.5.2014 – 20.5.2016	21.5.2016 – 20.5.2018	5.94	2.97	1,900,000	–	–	(1,900,000)	–	–
	21.5.2015	21.5.2015 – 20.5.2017	21.5.2017 – 20.5.2019	9.51	4.76	200,000	–	–	–	200,000	400,000
	26.5.2016	26.5.2016 – 25.5.2018	26.5.2018 – 3.3.2020	10.46	5.23		200,000	–	–	200,000	400,000
Mr. Dai Quanfa	8.2.2012	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	2.36	1.18	52,800	–	–	(52,800)	–	–
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	1.18	52,000	–	–	(104,000)	52,000	–
	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	1.80	249,600	–	–	(249,600)	–	–
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.80	249,600	–	–	(499,200)	249,600	–
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	3.64	234,400	–	–	(234,400)	–	–
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	3.64	234,400	–	–	–	234,400	468,800
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	138,400	–	–	–	138,400	276,800
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	138,400	–	–	–	138,400	276,800
	26.1.2016	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46	111,600	–	–	–	111,600	223,200
		26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46	111,200	–	–	–	111,200	222,400
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.12			59,200	–	–	–	59,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.12			59,200	–	–	–	59,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.12			59,200	–	–	–	59,200

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 1.4.2016	Granted during the Review Period	Cancelled/ Lapsed Review Period	Exercised during the Review Period	Adjustment on 4.8.2016	Outstanding at 31.3.2017
Ms. Wong Ying Ying	8.2.2012	8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	1.18	21,600	–	–	(43,200)	21,600	–
	1.2.2013	1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.80	140,800	–	–	(281,600)	140,800	–
	22.1.2014	22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	3.64	88,000	–	–	(176,000)	88,000	–
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	87,200	–	–	(174,400)	87,200	–
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	86,800	–	–	–	86,800	173,600
	27.1.2016	27.1.2016 – 26.1.2018	27.1.2018 – 26.1.2020	8.92	4.46	40,800	–	–	–	40,800	81,600
		27.1.2016 – 26.1.2019	27.1.2019 – 26.1.2021	8.92	4.46	40,400	–	–	–	40,400	80,800
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.12			31,200	–	–	–	31,200
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.12			31,200	–	–	–	31,200
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.12			31,200	–	–	–	31,200
Other employees	6.7.2011	6.7.2011 – 5.7.2014	6.7.2014 – 5.7.2016	4.28	2.14	320,000	–	–	(320,000)	–	–
	8.2.2012	8.2.2012 – 7.2.2016	8.2.2016 – 7.2.2018	2.36	1.18	55,200	–	–	(55,200)	–	–
		8.2.2012 – 7.2.2017	8.2.2017 – 7.2.2019	2.36	1.18	1,772,800	–	(197,600)	(3,091,200)	1,722,400	206,400
	1.2.2013	1.2.2013 – 31.1.2016	1.2.2016 – 31.1.2018	3.59	1.80	268,000	–	(102,400)	(213,600)	54,400	6,400
		1.2.2013 – 31.1.2017	1.2.2017 – 31.1.2019	3.59	1.80	5,578,400	–	(586,400)	(9,256,800)	5,344,800	1,080,000
	22.1.2014	22.1.2014 – 21.1.2016	22.1.2016 – 21.1.2018	7.28	3.64	2,147,200	–	(36,800)	(2,261,600)	413,600	262,400
		22.1.2014 – 21.1.2017	22.1.2017 – 21.1.2019	7.28	3.64	4,888,800	–	(533,600)	(4,843,200)	4,720,000	4,232,000
	10.2.2015	10.2.2015 – 9.2.2017	10.2.2017 – 9.2.2019	6.72	3.36	7,182,400	–	(1,053,200)	(7,433,600)	6,842,800	5,538,400
		10.2.2015 – 9.2.2018	10.2.2018 – 9.2.2020	6.72	3.36	7,104,800	–	(1,291,200)	–	6,771,200	12,584,800
	26.1.2016	26.1.2016 – 25.1.2018	26.1.2018 – 25.1.2020	8.92	4.46	5,820,400	–	(970,000)	–	5,533,600	10,384,000
		26.1.2016 – 25.1.2019	26.1.2019 – 25.1.2021	8.92	4.46	5,731,200	–	(949,600)	–	5,453,600	10,235,200
	26.5.2016	26.5.2016 – 25.5.2018	26.5.2018 – 3.3.2020	10.46	5.23		1,000,000	–	–	1,000,000	2,000,000
	13.1.2017	13.1.2017 – 12.1.2019	13.1.2019 – 12.1.2021	5.12			2,267,600	(23,600)	–	–	2,244,000
		13.1.2017 – 12.1.2020	13.1.2020 – 12.1.2022	5.12			2,266,000	(23,600)	–	–	2,242,400
		13.1.2017 – 12.1.2021	13.1.2021 – 12.1.2023	5.12			2,270,800	(24,800)	–	–	2,246,000
						49,014,000	8,863,600	(5,792,800)	(36,035,200)	43,764,400	59,814,000
Number of Share Options exercisable at 31 March 2017											12,071,200

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) 6 July 2011, i.e. on 5 July 2011 was HK$4.22, (ii) 8 February 2012, i.e. on 7 February 2012 was HK$2.10, (iii) 1 February 2013, i.e. on 31 January 2013 was HK$3.57, (iv) 22 January 2014, i.e. on 21 January 2014 was HK$7.16, (v) 21 May 2014, i.e. on 20 May 2014 was HK$6.10, (vi) 10 February 2015, i.e. on 9 February 2015 was HK$6.41, (vii) 21 May 2015, i.e. on 20 May 2015 was HK$9.72, (viii) 26 January 2016, i.e. on 25 January 2016 was HK$8.86; (ix) 27 January 2016, i.e. on 26 January 2016 was HK$8.56, (x) 26 May 2016, i.e. on 25 May 2016 was HK$9.92 and (xi) 13 January 2017, i.e. on 12 January 2017 was HK$5.14.

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$4.07.

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 2017, 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 2017.

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.

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.

The Directors consider that those continuing related party transaction(s) disclosed in note 36 to the consolidated financial statements fall under the definition of "continuing connected transaction(s)" in Chapter 14A of the Listing Rules, which have complied with the disclosure requirements (if applicable) in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance, to which the Company, any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted at the end of 31 March 2017 or at any time during the Review Period.

NON-COMPETITION UNDERTAKING

Each of Man Wah Investments Limited and Mr. Wong Man Li 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 21.0% and 24.5% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 7.3% of the total revenue for the year. The Group's largest supplier accounted for around 6.9% 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 own more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends.

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$17,560,000 (FY2016: HK$19,461,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 FY2017, the Company repurchased a total of 60,327,000 ordinary shares of the Company at an aggregate purchase price of HK$340,865,000 (before brokerage and expenses) 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 ('000)	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$'000)
April 2016	2,000	9.93	9.87	19,810
November 2016	46,604	5.92	5.26	263,986
February 2017	11,723	4.90	4.74	57,069
Total	60,327			340,865

During FY2017, the Company completed a bonus issue of 1,926,362,000 shares for each Share then outstanding, thus approximately doubling the number of issued Shares to 3,852,999,200 Shares, immediately after the bonus issue.

The repurchased ordinary shares were cancelled during the Review Period. 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 Wednesday, 13 July 2016, with a view to benefiting shareholders as a whole in enhancing the return on 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 56 to 60 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the environmental policies and performance of the Company can be found in the "Environmental, Social and Governance Report" section, which forms part of this Directors' Report of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to share option scheme and share award scheme, no equity-linked agreements were entered into during the Review Period or subsisted at the end of the Review Period.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or subsisting during the Review Period.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that for the time being a director of the Company, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs charges, losses, damages and expenses which he shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his duty or supposed duty in his office.

On behalf of the board

Wong Man Li
Chairman
24 May 2017

Deloitte. 德勤

To the Members of Man Wah Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

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 70 to 146, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Acquisition of 50% equity interest in Home Group Ltd. and an additional 2.5% equity interest in each of the four entities being injected to Home Group Ltd. by its original shareholder (the "Acquisition")	
We identified the Acquisition as a key audit matter due to the significance of the transaction to the consolidated financial statements, and the significant judgment exercised by management in determining the accounting treatment in relation to the Acquisition. As disclosed in notes 4 and 31 to the consolidated financial statements, upon the completion of the Acquisition on 31 December 2016, Home Group Ltd. and its subsidiaries (together referred to as the "Home Group") have been accounted for as subsidiaries of the Group as management of the Group determines that the Group has control over Home Group based on the contractual power pursuant to the relevant shareholders' agreement entered into among Man Wah Group Limited, a wholly-owned subsidiary of the Company, the original shareholder of Home Group Ltd. and Home Group Ltd. (the "Shareholders' Agreement") and pursuant to the articles of association of Home Group Ltd..	Our procedures in relation to assessing the Acquisition included: • Discussing with management to obtain an understanding of the commercial substance of the Acquisition, terms of the Shareholders' Agreement, the Acquisition arrangements and management's basis of determination of control over the Home Group; • Obtaining and reviewing the Shareholders' Agreements and the articles of association of Home Group Ltd. and evaluating management's basis in determining that the Group has control over Home Group; • Discussing with the original shareholder of Home Group Ltd. to confirm whether its understanding of the Acquisition is in line with management's interpretation; • Assessing whether the Acquisition has been properly accounted for by the Group in the consolidated financial statements in accordance with the relevant accounting standards; • Obtaining an understanding of how management prepares the business forecast used in determining the contingent consideration; and

Key Audit Matters – continued

Key audit matter	How our audit addressed the key audit matter
Acquisition of 50% equity interest in Home Group Ltd. and an additional 2.5% equity interest in each of the four entities being injected to Home Group Ltd. by its original shareholder (the "Acquisition")	
The consideration for the acquisition of the 50% equity interest in Home Group Ltd. is subject to a contingent arrangement. The contingent consideration is determined with reference to Home Group's consolidated profit for the years ending 31 December 2017, 2018 and 2019 (collectively the "Determination Period"), limited to within the range from approximately Euro 10 million to Euro 50 million. Management of the Group assesses the fair value of the contingent consideration based on a business forecast of the Home Group for the Determination Period. The business forecast of the Home Group is prepared with reference to the past performance of the four entities injected by the original shareholder to Home Group Ltd. and the expansion plan of the Home Group, among others. Based on management's assessment, the contingent consideration amounted to approximately Euro 50 million (equivalent to approximately HK$414 million) as disclosed in note 31 to the consolidated financial statements.	• Evaluating the reasonableness of the business forecast of Home Group by considering the past performance of the four entities being injected by the original shareholders to Home Group Ltd. and the expansion plan of Home Group.

Key Audit Matters – continued

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified the revenue recognition as a key audit matter due to the significance of the revenue to the consolidated statement of profit or loss and other comprehensive income. Revenue from the sales of goods is recognised when goods are delivered and title has passed. The accounting policy for revenue recognition is disclosed in note 3 to the consolidated financial statements. The Group recognised revenue of approximately HK$7,779 million for the year ended 31 March 2017, which is disclosed in the consolidated statement of profit or loss and other comprehensive income and in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Obtaining an understanding of the revenue business process; • Understanding and testing the key controls over revenue recognition performed by management; • Checking a selection of sales transactions to the corresponding delivery documents to assess the appropriateness of revenue recognition; and • Performing analytical review procedures on the monthly sales amounts with reference to the gross profit margin to identify any unusual fluctuations, and obtaining and assessing management's explanations for such fluctuations.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ip Chiu Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**7,779,015**	7,327,590
Cost of goods sold		**(4,520,832)**	(4,431,563)
Gross profit		**3,258,183**	2,896,027
Other income		**159,752**	175,927
Other gains and losses	6	**184,001**	4,457
Selling and distribution expenses		**(1,173,878)**	(1,229,313)
Administrative expenses		**(365,441)**	(344,913)
Share of loss of a joint venture		**–**	(221)
Finance costs	7	**(10,271)**	(11,964)
Profit before income tax		**2,052,346**	1,490,000
Income tax expense	8	**(293,222)**	(150,182)
Profit for the year	9	**1,759,124**	1,339,818
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		**(305,526)**	(216,966)
Items that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment, net of deferred tax		**21,786**	517
Total comprehensive income for the year		**1,475,384**	1,123,369
Profit for the year attributable to:			
Owners of the Company		**1,752,370**	1,327,244
Non-controlling interest		**6,754**	12,574
		1,759,124	1,339,818
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,467,215**	1,111,431
Non-controlling interest		**8,169**	11,938
		1,475,384	1,123,369

		2017 HK cents	2016 HK cents (restated)
Earnings per share	11		
Basic		**45.64**	34.15
Diluted		**45.47**	33.89

Consolidated Statement of Financial Position

At 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	**2,267,824**	2,033,774
Investment properties	14	**170,781**	52,156
Lease premium for land	15	**451,219**	318,598
Goodwill	32	**137,573**	–
Other intangible assets	16	**169,004**	382
Interest in a joint venture	17	**–**	–
Available-for-sale investment	18	**–**	1,794
Deferred tax assets	19	**2,589**	1,246
Properties under development	20	**384,481**	304,043
Refundable earnest money paid for lease premium for land		**3,815**	4,045
Deposit paid for a land lease		**11,280**	38,489
Deposits paid for acquisition of property, plant and equipment		**79,612**	52,059
		3,678,178	2,806,586
Current assets			
Inventories	21	**749,253**	607,199
Trade receivables	22	**639,674**	590,609
Other receivables and prepayments	22	**235,129**	153,530
Lease premium for land	15	**9,648**	7,386
Held for trading investments	23	**367,862**	–
Tax recoverable		**1,744**	5,102
Structured deposits	24	**–**	26,313
Restricted bank balances	25	**9,364**	875
Bank balances and cash	26	**1,808,298**	1,447,508
		3,820,972	2,838,522
Current liabilities			
Trade payables	27	**427,780**	266,529
Other payables and accruals	27	**485,312**	374,912
Variable-rate bank borrowings	28	**1,047,636**	250,000
Tax payable		**64,636**	40,034
		2,025,364	931,475
Net current assets		**1,795,608**	1,907,047
Total assets less current liabilities		**5,473,786**	4,713,633

At 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Variable-rate bank borrowings	28	**27,294**	–
Deferred tax liabilities	19	**42,830**	3,280
Other non-current liabilities		**7,337**	–
		77,461	3,280
		5,396,325	4,710,353
Capital and reserves			
Share capital	29	**1,530,256**	774,745
Reserves		**3,508,286**	3,937,591
Equity attributable to owners of the Company		**5,038,542**	4,712,336
Non-controlling interest		**357,783**	(1,983)
		5,396,325	4,710,353

The consolidated financial statements on pages 70 to 146 were approved and authorised for issue by the Board of Directors on 24 May 2017 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 2017

	Attributable to owners of the Company													
	Share capital HK$'000	Treasury shares HK$'000 (Note 29)	Share premium HK$'000	Special reserve HK$'000 (Note i)	Other reserve HK$'000	Statutory reserve HK$'000 (Note ii)	Translation reserve HK$'000	Revaluation surplus HK$'000 (Note iii)	Shares held under share award scheme HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 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
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,327,244	1,327,244	12,574	1,339,818
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(216,330)	–	–	–	–	(216,330)	(636)	(216,966)
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–	–	–	517	–	–	–	517	–	517
Total comprehensive income for the year	–	–	–	–	–	–	(216,330)	517	–	–	1,327,244	1,111,431	11,938	1,123,369
Cancellation of treasury shares	(1,280)	1,280	–	–	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	(7,658)	(5,317)	(285,585)	–	–	–	–	–	–	–	–	(298,560)	–	(298,560)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	9,859	–	9,859	–	9,859
Issue of shares upon exercise of share options	5,257	–	59,737	–	–	–	–	–	–	(7,359)	–	57,635	–	57,635
Acquisition of additional interest in a subsidiary from a non-controlling equity holder	–	–	–	–	(123)	–	–	–	–	–	–	(123)	(44,290)	(44,413)
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	362	362
Transfer to PRC statutory reserves	–	–	–	–	–	43,722	–	–	–	–	(43,722)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	–	(563,656)	(563,656)	(26,574)	(590,230)
At 31 March 2016	774,745	(5,317)	1,131,877	(16,132)	(4,067)	226,023	(59,920)	3,362	(448)	15,979	2,646,234	4,712,336	(1,983)	4,710,353
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,752,370	1,752,370	6,754	1,759,124
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(306,941)	–	–	–	–	(306,941)	1,415	(305,526)
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–	–	–	21,786	–	–	–	21,786	–	21,786
Total comprehensive income for the year	–	–	–	–	–	–	(306,941)	21,786	–	–	1,752,370	1,467,215	8,169	1,475,384
Cancellation of treasury shares	(5,317)	5,317	–	–	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	(24,131)	–	(317,936)	–	–	–	–	–	–	–	–	(342,067)	–	(342,067)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	11,067	–	11,067	–	11,067
Bonus issue (note 29)	770,545	–	(770,545)	–	–	–	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options	14,414	–	107,960	–	–	–	–	–	–	(12,746)	–	109,628	–	109,628
Acquisition of additional interest in subsidiaries from non-controlling equity holders	–	–	–	–	(17,084)	–	–	–	–	–	–	(17,084)	(259)	(17,343)
Acquisition of subsidiaries (note 31)	–	–	–	–	–	–	–	–	–	–	–	–	333,095	333,095
Capital contribution by non-controlling interest	–	–	–	–	(3,443)	–	–	–	–	–	–	(3,443)	21,358	17,915
Transfer to PRC statutory reserves	–	–	–	–	–	85,095	–	–	–	–	(85,095)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	–	(899,110)	(899,110)	(2,597)	(901,707)
At 31 March 2017	1,530,256	–	151,356	(16,132)	(24,594)	311,118	(366,861)	25,148	(448)	14,300	3,414,399	5,038,542	357,783	5,396,325

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) 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.

(iii) The revaluation reserve represents the differences between net book value and fair value, net of deferred tax, of the properties upon transfer from property, plant and equipment to investment properties.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**2,052,346**	1,490,000
Adjustments for:		
Amortisation of intangible assets	**4,549**	222
Depreciation	**153,699**	155,182
Equity-settled share-based payments expense	**11,067**	9,859
Fair value gain on held for trading investments	**(11,618)**	–
Fair value (gain) loss on investment properties	**(2,054)**	3,500
Finance costs	**10,271**	11,964
(Reversal of) allowance for inventories	**(2,781)**	2,099
Impairment loss on and direct write-off of trade and other receivables	**–**	5,356
Interest income	**(19,082)**	(2,773)
Dividend income from an available-for-sale investment	**(254)**	–
Income on structured deposits	**(7,602)**	(61,886)
Loss on disposal of property, plant and equipment	**207**	1,661
Release of lease premium for land	**9,567**	7,908
Share of loss of a joint venture	**–**	221
Operating cash flows before movements in working capital	**2,198,315**	1,623,313
(Increase) decrease in inventories	**(124,778)**	169,890
(Increase) decrease in trade receivables	**(24,579)**	20,981
(Increase) decrease in other receivables and prepayments	**(80,369)**	60,058
Decrease in derivative financial instruments	**–**	1,074
Increase (decrease) in trade payables	**11,333**	(12,227)
Increase in other payables and accruals	**27,591**	4,885
Decrease in other non-current liabilities	**(15,657)**	–
Cash generated from operations	**1,991,856**	1,867,974
Interest paid	**(10,271)**	(11,964)
Interest received	**19,082**	2,773
Income tax paid, net	**(260,235)**	(158,802)
NET CASH FROM OPERATING ACTIVITIES	**1,740,432**	1,699,981

Consolidated Statement Of Cash Flows

For the year ended 31 March 2017

	NOTE	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Investment in structured deposits		**(3,948,772)**	(10,538,785)
Investment on held for trading investment		**(407,883)**	–
Purchase of property, plant and equipment		**(252,419)**	(227,171)
Construction of properties under development		**(240,142)**	(54,328)
Payment of lease premium for land		**(81,326)**	(57,693)
Deposits paid for acquisition of property, plant and equipment		**(62,308)**	(15,860)
Deposits paid for acquisition of land lease		**(11,280)**	(36,235)
(Placement in) withdrawal of restricted bank balances		**(8,667)**	1,737
Purchase of other intangible assets		**(83)**	–
Proceeds on disposal of structured deposits		**3,981,734**	10,599,561
Proceeds from disposal of held for trading investment		**52,021**	–
Withdrawal of (placement in) short term time deposits with maturity over 90 days		**35,913**	(35,873)
Proceeds from disposal of property, plant and equipment		**3,892**	4,682
Proceeds from capital reduction of an available-for-sale investment		**1,729**	1,827
Acquisition of subsidiaries	31	**269**	–
Dividend received from an available-for-sale investment		**254**	–
NET CASH USED IN INVESTING ACTIVITIES		**(937,068)**	(358,138)
FINANCING ACTIVITIES			
Dividends paid		**(899,110)**	(563,656)
Repurchase of shares		**(342,067)**	(298,560)
Repayment of borrowings		**(60,147)**	(1,708,563)
Acquisition of additional interest in a subsidiary		**(17,343)**	(44,413)
Dividend paid to a non-controlling equity holder of a subsidiary		**(2,597)**	(26,574)
New borrowings raised		**772,385**	1,020,632
Proceeds from issue of shares upon exercise of share options		**109,628**	57,635
Capital contribution by non-controlling equity holders of subsidiaries		**17,915**	362
NET CASH USED IN FINANCING ACTIVITIES		**(421,336)**	(1,563,137)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**382,028**	(221,294)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,411,635**	1,599,028
Effect of foreign exchange rate changes		**14,635**	33,901
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,808,298**	1,411,635

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 and a joint venture are set out in notes 40 and 17.

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) Amendments to existing standards that are mandatorily effective for the current year

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

The application of these amendments 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 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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 interest in subsidiaries are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

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 relevant components of equity including reserves 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 after re-attribution of the relevant equity component 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the CGU (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in joint ventures

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 joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of 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 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 joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in 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 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.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IAS 39, 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. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in joint ventures – continued

The Group continues to use the equity method when 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 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 a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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 owner-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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rental or for capital appreciation purpose are classified and accounted for as investment property and are measured using the fair value model. 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.

Properties under development

Properties under development are carried in the consolidated financial statements at cost less any identified impairment loss. Cost of properties under development includes, where appropriate, relevant development costs and borrowing cost capitalised, if any. No depreciation is provided for properties under development.

Properties under development are transferred at the lower of its carrying amount and fair value less cost to sell to assets held for sale when the sale become highly probable.

Properties under development becomes an item of property, plant and equipment when the intended use of the properties changed to owner-occupation, the transfer is made at the carrying amount.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

Research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses on tangible and intangible assets other than goodwill

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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") 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 other than financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in gain from changes in fair value of held for trading investments. Fair value is determined in the manner described in note 38.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

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, structured deposits, restricted bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (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 are 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).

Impairment of financial assets

Financial assets, other than FVTPL, 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 manufacturers, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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.

In respect of available-for-sale equity investment, impairment has previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation surplus.

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 re-issued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 variable-rate bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

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

Financial instruments – continued

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, 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 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 30), 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 each 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. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating lease, 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.

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.

Inventories

Inventories are stated at the lower of costs and net realisable value. Costs of inventories are determined on a 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. Revenue is reduced for estimated customer returns, rebates and similar allowances and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Revenue from sale of goods is recognised when goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts 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 receive payment have been established.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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. If the presumption is rebutted, deferred tax liabilities and deferred tax asset for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the economic benefits embodied in the properties will be recovered).

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period. 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint venture that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing joint control), he proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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 2017, the carrying amount of trade and bills receivables is HK$639,674,000 (2016: HK$590,609,000).

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.

Control over investees accounted for as subsidiaries

Home Group Ltd. and its subsidiaries (the "Home Group") are considered to be subsidiaries of the Company despite the interest held by the Group therein are not more than 50% of the issued share capital of the relevant entities. Based on the contractual power pursuant to the relevant shareholders' agreement between the Group, the relevant subsidiary, and the other shareholders, the Group has the majority voting power in the board of directors in the respective investees, by which the relevant activities that significantly affect the return of the investee are determined, and hence has control over these investees. Accordingly, Home Group is accounted for as subsidiaries of the Company. Further detail are set out in note 31.

Recognition of deferred taxation

At 31 March 2017, the Group provided for deferred tax liabilities of approximately HK$21,934,000 (2016: HK$1,249,000) 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$138,360,000 (2016: HK$139,475,000) 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.

As disclosed in note 31, the Group acquired Home Group during the year, for which, the financial information is separately reported to the Company's executive directors, being the chief operating decision maker of the Group. This business combination led to a change in the segment report for the comparable period. There are now four operating and reportable segments as follows:

Sofa and ancillary products (wholesale)	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group
Sofa and ancillary products (retail)	–	manufacture and sale of sofas and ancillary products through self-operated shops including online shops other than those by Home Group
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group
Other products	–	manufacture and distribution of other products

The sofa and ancillary products (wholesale) segment includes a number of sales operation in various locations, each of which is considered as a separate operating segment by the executive directors. For segment reporting, these individual operating segments have been aggregated into a single reportable segment in order to present a more systematic and structured segment information on the performance of different type of products.

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results, except for Home Group business, represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange gain, fair value gain (loss) on investment properties, government subsidies, finance costs, central administrative costs and directors' emoluments and share of loss of a joint venture. Segment results for Home Group business, represent the profit before income tax earned by Home Group business taken into account for all income and expenses. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION – continued

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

For the year ended 31 March 2017

	Sofa and ancillary products (wholesale) HK$'000	Sofa and ancillary products (retail) HK$'000	Home Group business HK$'000	Other products HK$'000	Total HK$'000
REVENUE					
External sales	6,170,509	811,216	202,488	594,802	7,779,015
RESULTS					
Segment results	1,748,269	236,941	3,371	119,888	2,108,469
Interest income					19,078
Income on structured deposits					7,602
Rental income					4,250
Exchange gain – net					171,056
Government subsidies					70,615
Fair value gain on investment properties					2,054
Finance costs					(7,856)
Central administrative costs and directors' emoluments					(322,922)
Profit before income tax					2,052,346

5. REVENUE AND SEGMENT INFORMATION – continued

For the year ended 31 March 2016

	Sofa and ancillary products (wholesale) HK$'000	Sofa and ancillary products (retail) HK$'000	Home Group business HK$'000	Other products HK$'000	Total HK$'000
REVENUE					
External sales	6,177,652	705,393	–	444,545	7,327,590
RESULTS					
Segment results	1,439,135	149,465	–	86,675	1,675,275
Interest income					2,773
Income on structured deposits					61,886
Rental income					2,025
Exchange gain – net					14,974
Government subsidies					56,861
Fair value loss on investment properties					(3,500)
Finance costs					(11,964)
Central administrative costs and directors' emoluments					(308,109)
Share of loss of a joint venture					(221)
Profit before income tax					1,490,000

5. REVENUE AND SEGMENT INFORMATION – continued

Other information:

	Sofa and ancillary products (wholesale) HK$'000	Sofa and ancillary products (retail) HK$'000	Home Group business HK$'000	Other products HK$'000	Total HK$'000
Amounts included in the measure of segment result:					
For the year ended 31 March 2017					
Loss (gain) on disposal of property, plant and equipment	**274**	**(112)**	**7**	**38**	**207**
Depreciation and amortisation	**133,455**	**12,366**	**6,709**	**5,718**	**158,248**
Release of lease premium for land	**9,567**	**–**	**–**	**–**	**9,567**
Reversal of allowance for inventories	**(496)**	**(1,712)**	**(549)**	**(24)**	**(2,781)**
For the year ended 31 March 2016					
Loss on disposal of property, plant and equipment	1,532	96	–	33	1,661
Depreciation and amortisation	133,299	18,163	–	3,942	155,404
Release of lease premium for land	7,908	–	–	–	7,908
Impairment loss on and direct write-off of trade and other receivables	5,356	–	–	–	5,356
Allowance for (reversal of) inventories	515	1,640	–	(56)	2,099

5. REVENUE AND SEGMENT INFORMATION – continued

Geographical information:

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

	2017 **HK$'000**	2016 HK$'000
U.S.	**3,228,168**	3,761,105
Canada	**237,010**	223,926
PRC (including Hong Kong)	**3,362,407**	2,454,011
Others (including Europe)	**951,430**	888,548
	7,779,015	7,327,590

Note: Others included mainly United Kingdom, Australia, Ireland, United Arab Emirates, Israel, France, Sweden and Indonesia. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2017 **HK$'000**	2016 HK$'000
PRC (including Hong Kong and Macau)	**3,125,119**	2,800,498
Europe	**546,466**	643
Others	**4,004**	4,199
	3,675,589	2,805,340

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2016: none).

6. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Exchange gain – net	**170,536**	14,974
Fair value gain (loss) on investment properties	**2,054**	(3,500)
Loss on disposal of property, plant and equipment	**(207)**	(1,661)
Impairment loss on and direct write-off of trade and other receivables	**–**	(5,356)
Gain from changes in fair value of held for trading investments	**11,618**	–
	184,001	4,457

7. FINANCE COSTS

The amount mainly represents interest on bank borrowings.

8. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**263,690**	164,333
PRC Withholding Income Tax	**17,447**	1,595
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,660**	1,394
Others	**310**	–
	283,107	167,322
Under (over) provision in prior years:		
PRC EIT	**8,143**	(15,897)
U.S. CIT	**–**	67
	8,143	(15,830)
Deferred tax (note 19)	**1,972**	(1,310)
	293,222	150,182

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. However, the assessable profit has been wholly absorbed by tax losses brought forward.

8. INCOME TAX EXPENSE – continued

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 19.

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% (subject to annual review by PRC tax authority) for its profits earned from July 2012 to December 2014, resulting in an overprovision of income tax expense amounted to HK$13,899,000, credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

During the year ended 31 March 2015, another subsidiary of the Group also obtained the qualification of being a high technology enterprise and is approved to enjoy the preferential tax rate of 15% for a consecutive three years from year 2014. An overprovision of income tax expense amounted to HK$3,682,000, is then credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

The U.S. CIT charge comprises federal income tax calculated at 34% and state income tax calculated from 0% to 8.84% (2016: 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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**2,052,346**	1,490,000
Tax at the PRC EIT rate of 25% (2016: 25%)	**513,087**	372,500
Tax effect of expenses not deductible in determining taxable profit	**20,097**	16,156
Tax effect of income not taxable in determining taxable profit	**(12,523)**	(608)
Under (over) provision in prior years	**8,143**	(15,830)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(138,680)**	(114,621)
Tax effect of tax losses not recognised	**7,152**	10,708
Utilisation of tax losses previously not recognised	**(4,840)**	(838)
Tax effect of share of results of a joint venture	**–**	36
PRC Withholding Income Tax	**18,860**	(269)
Tax effect of profit of a subsidiary under tax exemption	**(118,074)**	(117,052)
Tax charge for the year	**293,222**	150,182

9. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**16,937**	19,196
Other staff costs		
Salaries and other allowances, including share option expenses	**1,015,791**	856,711
Retirement benefit scheme contributions, excluding those of directors	**43,657**	55,104
Total staff costs	**1,076,385**	931,011
Auditor's remuneration (including non-audit services)	**4,180**	3,620
Release of lease premium for land	**9,567**	7,908
Amortisation of intangible assets	**4,549**	222
Depreciation of properties, plant and equipment	**153,699**	155,182
Cost of inventories recognised as an expense	**4,497,502**	4,400,095
Research and development expenditure	**26,111**	29,369
(Reversal of) allowance for inventories (recognised in cost of goods sold)	**(2,781)**	2,099
Recognised in other income include:		
Interest income (including interest income from held for trading investments)	**(19,082)**	(2,773)
Income on structured deposits (Note i)	**(7,602)**	(61,886)
Dividend income from an available-for-sale investment	**(254)**	–
Rental income from investment properties	**(4,365)**	(2,025)
Government subsidies recognised in other income (Note ii)	**(70,615)**	(56,861)

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.

(ii) The government subsidies recognised in other income of HK$70,615,000 (2016: HK$56,861,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses, and research and development cost incurred in the year.

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$'000	Performance related incentive payments (Note iv) HK$'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 2017						
Executive Directors:						
Mr. Wong Man Li (Chairman)	250	218	1,235	195	18	1,916
Ms. Hui Wai Hing	250	178	1,016	278	–	1,722
Mr. Wang Guisheng	250	137	1,794	1,032	33	3,246
Mr. Alan Marnie	250	–	5,014	793	–	6,057
Mr. Dai Quanfa	250	153	1,116	412	24	1,955
Ms. Wong Ying Ying	250	81	418	152	6	907
Non-executive Director:						
Mr. Xie Fang (Note i)	71	–	–	–	–	71
Independent non-executive Directors:						
Mr. Ong Chor Wei	250	–	–	–	–	250
Mr. Lee Teck Leng Robson (Note ii)	250	–	–	–	–	250
Mr. Chau Shing Yim David	250	–	–	–	–	250
Mr. Kan Chung Nin, Tony	250	–	–	–	–	250
Mr. Ding Yuan (Note iii)	63	–	–	–	–	63
	2,634	767	10,593	2,862	81	16,937

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

(a) Directors – continued

Name of directors	Directors' fee HK$'000	Performance related incentive payments (Note iii) HK$'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 2016						
Executive Directors:						
Mr. Wong Man Li (Chairman)	250	308	1,221	244	18	2,041
Ms. Hui Wai Hing	250	83	989	207	12	1,541
Mr. Wang Guisheng	250	264	2,020	1,206	34	3,774
Mr. Alan Marnie	250	–	5,727	1,995	–	7,972
Mr. Dai Quanfa	250	108	858	495	24	1,735
Ms. Wong Ying Ying	250	39	441	148	5	883
Non-executive Director:						
Mr. Xie Fang	250	–	–	–	–	250
Independent non-executive Directors:						
Mr. Ong Chor Wei	250	–	–	–	–	250
Mr. Lee Teck Leng Robson (Note ii)	250	–	–	–	–	250
Mr. Chau Shing Yim David	250	–	–	–	–	250
Mr. Kan Chung Nin, Tony	250	–	–	–	–	250
	2,750	802	11,256	4,295	93	19,196

Notes:

(i) Resigned as a non-executive director of the Company on 14 July 2016.

(ii) Resigned as an independent non-executive director of the Company on 31 December 2016.

(iii) Appointed as an independent non-executive director of the Company on 31 December 2016.

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

(v) The emoluments shown above for executive directors were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments for the non-executive director were mainly for his services as director of the Company. The emoluments for independent non-executive directors were mainly for their services as directors of the Company.

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

(b) Senior management

All of the six (2016: six) senior management of the Company for the year ended 31 March 2017 are directors 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 2017, two (2016: three) of them are directors of the Company whose emoluments are included in note 10(a).

The remuneration of the remaining three (2016: two) individuals for the year ended 31 March 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other allowances	**19,329**	10,025
Contribution to retirement benefits scheme	**16**	12
Share-based payment expense	**1,287**	396
	20,632	10,433

	Number of individuals	
	2017	2016
Their emoluments were within the following bands:		
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$15,500,001 to HK$16,000,000	**1**	–
	3	2

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 (2016: nil). None of the directors waived any emoluments during the year (2016: 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

	2017 HK$'000	2016 HK$'000
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,752,370**	1,327,244

Number of shares

	2017 '000	2016 '000 (restated)
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**3,839,666**	3,886,378
Effect of dilutive potential ordinary shares		
– Share options	**14,323**	30,482
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**3,853,989**	3,916,860

During the current year, the Company had issued bonus shares on the basis of one bonus share for every one existing share held by the shareholders on 4 August 2016. 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 2017 and 2016 have been arrived at after eliminating the treasury shares held by the Company.

12. DIVIDENDS

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

	2017 HK$'000	2016 HK$'000
Final dividend for 2016 of HK$0.19 (2016: HK$0.13 for 2015) per share	**366,009**	252,572
Interim dividend for 2017 of HK$0.14 (2016: HK$0.16 for 2016) per share	**533,101**	311,084
	899,110	563,656

A final dividend of HK$0.14 per share in respect of the year ended 31 March 2017, amounting to approximately HK$536,536,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on Friday, 21 July 2017, 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

	Freehold land in Europe HK$'000	Leasehold land and buildings outside the PRC HK$'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 2015	–	44,501	1,191,228	147,445	568,455	221,335	70,242	248,342	2,491,548
Exchange adjustments	–	–	(52,132)	(6,273)	(21,857)	(10,064)	(2,746)	(9,946)	(103,018)
Additions	–	–	84,608	25,033	35,197	18,657	20,553	108,431	292,479
Transfers	–	–	91,800	7,762	30,901	12,938	–	(143,401)	–
Surplus on valuation	–	–	517	–	–	–	–	–	517
Transfer to investment properties (note 14)	–	–	(2,364)	–	–	–	–	–	(2,364)
Disposals/written off	–	–	–	(27,946)	(10,342)	(4,142)	(4,978)	(53)	(47,461)
At 31 March 2016	–	44,501	1,313,657	146,021	602,354	238,724	83,071	203,373	2,631,701
Exchange adjustments	377	2,944	(76,720)	(8,297)	(29,727)	(14,142)	(4,370)	(10,093)	(140,028)
Additions	–	–	623	10,911	44,444	28,129	23,217	176,827	284,151
Transfers	–	989	201,618	11,026	12,630	16,228	–	(242,491)	–
Surplus on valuation	–	–	28,218	–	–	–	–	–	28,218
Acquired on acquisition of subsidiaries (note 31)	26,804	150,949	–	–	62,390	7,161	2,657	1,937	251,898
Transfer to investment properties (note 14)	–	–	(64,055)	–	–	–	–	–	(64,055)
Transfer from properties under development	–	–	–	–	–	–	–	84,012	84,012
Disposals/written off	–	–	–	(12,269)	(5,682)	(6,644)	(7,145)	(261)	(32,001)
At 31 March 2017	27,181	199,383	1,403,341	147,392	686,409	269,456	97,430	213,304	3,043,896
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2015	–	200	98,107	80,299	190,026	111,881	23,354	–	503,867
Exchange adjustments	–	–	(4,168)	(3,825)	(5,463)	(5,446)	(894)	–	(19,796)
Provided for the year	–	801	23,121	31,091	48,712	40,547	10,910	–	155,182
Eliminated on disposals/written off	–	–	–	(26,818)	(8,085)	(3,248)	(2,967)	–	(41,118)
Eliminated on transferred to investment properties (note 14)	–	–	(208)	–	–	–	–	–	(208)
At 31 March 2016	–	1,001	116,852	80,747	225,190	143,734	30,403	–	597,927
Exchange adjustments	–	653	(6,617)	(4,887)	(7,233)	(8,682)	(1,514)	–	(28,280)
Acquired on acquisition of subsidiaries (note 31)	–	44,659	–	–	39,574	5,207	1,561	–	91,001
Provided for the year	–	1,971	26,298	28,095	48,667	37,927	10,741	–	153,699
Eliminated on disposals/written off	–	–	–	(11,046)	(5,122)	(5,731)	(6,003)	–	(27,902)
Eliminated on transferred to investment properties (note 14)	–	–	(10,373)	–	–	–	–	–	(10,373)
At 31 March 2017	–	48,284	126,160	92,909	301,076	172,455	35,188	–	776,072
CARRYING VALUES									
At 31 March 2017	27,181	151,099	1,277,181	54,483	385,333	97,001	62,242	213,304	2,267,824
At 31 March 2016	–	43,500	1,196,805	65,274	377,164	94,990	52,668	203,373	2,033,774

13. PROPERTY, PLANT AND EQUIPMENT – continued

During the year ended 31 March 2017, the Group transferred property, plant and equipment with a fair value of HK$53,682,000 (2016: HK$2,156,000) 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") (2015: 惠州榮德資產評估事務所), professional valuers independent to the Group, at the date of transfer for both years. 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 categorised 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.

The Group's interest in freehold land and leasehold land and buildings outside the PRC is listed at net book value as follows:

	Medium-term	
	2017	2016
	HK$'000	HK$'000
Macau	**42,699**	43,500
Ukraine	**41,477**	–
Lithuania	**25,170**	–
Estonia	**38,981**	–
Poland	**29,953**	–
	178,280	43,500

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

The above items of property, plant and equipment, except for freehold land and construction in progress, 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
At 1 April 2015	53,500
Transfer from property, plant and equipment (note 13)	2,156
Fair value loss	(3,500)
At 31 March 2016	52,156
Acquired on acquisition of subsidiaries (note 31)	56,515
Transfer from property, plant and equipment (note 13)	53,682
Transfer from lease premium for land	6,719
Fair value gain	2,054
Exchange adjustments	(345)
At 31 March 2017	170,781

The fair value measurement for all of the Group's investment properties are categorised as level 3 (see note 3). The fair values were determined based on professional valuations carried out by Cushman & Wakefield and OBEKC. The fair values were determined by comparison method, investment method or cost replacement method. The comparison method 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 properties. Investment method capitalizes the net income from existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties. Cost replacement method reflects the amount that would be required for acquiring or constructing an equivalent building with allowance for the age, condition, economic or functional obsolescence and environmental and other relevant factors.

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.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES – continued

The carrying value of investment properties shown above comprises:

	2017 HK$'000	2016 HK$'000
Properties on lands under medium-term lease:		
– in Hong Kong	**45,700**	42,600
– in Macau	**6,800**	7,400
– in PRC	**62,042**	2,156
	114,542	52,156
Properties on freehold land in Ukraine	**56,239**	–
	170,781	52,156

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.

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current asset	**9,648**	7,386
Non-current asset	**451,219**	318,598
	460,867	325,984

As at 31 March 2016, the Group has not obtained land use right certificates for a piece of leasehold land located in Wujiang, the PRC, with a carrying value of HK$55,902,000. The land use right certificate has been obtained during the current year.

As at 31 March 2017, the Group has not obtained land use right for a piece of leasehold land located in Wujiang, the PRC, with carrying value of HK$33,686,000. The directors of the Company expect to obtain the land use right certificates for the leasehold land before the end of 2017.

16. OTHER INTANGIBLE ASSETS

	Trademarks HK$'000	Technology knowhow HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
At 1 April 2015	1,822	–	–	1,822
Exchange adjustments	(77)	–	–	(77)
At 31 March 2016	1,745	–	–	1,745
Additions	83	–	–	83
Acquired on acquisition of subsidiaries (note 31)	323	80,586	92,193	173,102
Exchange adjustments	(47)	–	–	(47)
At 31 March 2017	2,104	80,586	92,193	174,883
ACCUMULATED AMORTISATION				
At 1 April 2015	1,196	–	–	1,196
Exchange adjustments	(55)	–	–	(55)
Charge for the year	222	–	–	222
At 31 March 2016	1,363	–	–	1,363
Exchange adjustments	(33)	–	–	(33)
Charge for the year	230	2,014	2,305	4,549
At 31 March 2017	1,560	2,014	2,305	5,879
CARRYING VALUE				
At 31 March 2017	544	78,572	89,888	169,004
At 31 March 2016	382	–	–	382

The above intangible assets have finite useful lives and are amortised on a straight-line basis at the following rates per annum:

Trademarks	12.5%
Technology knowhow	10%
Customer relationship	10%

17. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Cost of unlisted investment in a joint venture	**5**	5
Share of post-acquisition loss	**(5)**	(5)
	–	–

17. INTEREST IN A JOINT VENTURE – continued

As at 31 March 2017 and 2016, the Group had interest in the following joint venture:

Name of joint venture	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 2017	2016	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%	Inactive

18. AVAILABLE-FOR-SALE INVESTMENT

	2017 HK$'000	2016 HK$'000
Investments in an unlisted equity investment	–	1,794

The unlisted equity investment represented investment in unlisted equity securities issued by a private entity established in the PRC (the "AFS Investee"). The AFS Investee deregistered in current year and returned its share capital to its shareholders. The Group received Renminbi ("RMB") 1,500,000 (equivalent to HK$1,729,000), an amount equals to the initial investment cost, and derecognised its available-for-sale investment during the current year.

19. DEFERRED TAXATION

	2017 HK$'000	2016 HK$'000
Deferred tax assets	(2,589)	(1,246)
Deferred tax liabilities	42,830	3,280
	40,241	2,034

19. DEFERRED TAXATION – continued

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

	Withholding tax HK$'000	Accelerated tax depreciation HK$'000	Fair value change in relation to properties (Note) HK$'000	Inventory provision HK$'000	Total HK$'000
At 1 April 2015	3,166	1,117	–	(946)	3,337
Exchange adjustments	(53)	27	(2)	35	7
(Credit) charge to profit or loss	(1,864)	143	132	279	(1,310)
At 31 March 2016	1,249	1,287	130	(632)	2,034
Exchange adjustments	–	(89)	(9)	31	(67)
Acquired on acquisition of subsidiaries (note 31)	19,272	–	10,598	–	29,870
Charge to profit or loss	1,413	31	289	239	1,972
Charge to other comprehensive income	–	–	6,432	–	6,432
At 31 March 2017	21,934	1,229	17,440	(362)	40,241

The Group had unused tax losses of HK$138,360,000 (2016: HK$139,475,000) as at 31 March 2017 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 will expire in various dates in the next five years.

Withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC and some European countries. Except for deferred tax liability of HK$21,934,000 (2016: HK$1,249,000) which has been recognised, deferred taxation has not been recognised in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of subsidiaries amounting to HK$2,564,200,000 (2016: HK$2,420,089,000) as at 31 March 2017 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.

Note: Amounts included deferred tax on fair value change in investment properties and property, plant and equipment upon its transfer to investment properties.

20. PROPERTIES UNDER DEVELOPMENT

	HK$'000
At 1 April 2015	–
Addition	58,731
Transfer from lease premium for land	250,866
Exchange adjustments	(5,554)
At 31 March 2016	304,043
Addition	240,142
Transfer to property, plant and equipment (note 13)	(84,012)
Transfer to lease premium for land	(53,259)
Exchange adjustments	(22,433)
At 31 March 2017	384,481

The balance as at 31 March 2017 and 2016 is the land and development cost of properties under development located at Wujiang, the PRC.

The Group tendered for a piece of land with 40,990 square meters, located in Wujiang, the PRC at a consideration of RMB217,246,000 in 2011. The Group started to develop the land into a commercial complex and some residential premises (together "Wujiang Project") during the year ended 31 March 2016 and planned to sell the whole Wujiang Project upon its completion. During the current year, after careful study on the local market, management adjusted their plan on the Wujiang Project and decided to develop the commercial complex into a flagship store to sell the Group's furniture products, a high end hotel which will be managed by an external hotel management. The residential premises will be remained as mainly for sale. As the flagship store and the hotel will be for the Group's own operation, the Group transfered in the current year an amount of HK$84,012,000 and HK$53,259,000 from properties under development to construction in progress included in property, plant and equipment and lease premium for land, respectively.

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**321,557**	251,505
Work-in-progress	**150,426**	103,872
Finished goods	**277,270**	251,822
	749,253	607,199

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Trade receivables		
Trade and bills receivables	**639,674**	590,609
Other receivables and prepayments		
Valued added taxes recoverable	**55,236**	27,789
Deposits	**24,047**	23,704
Prepayments to suppliers	**112,529**	71,407
Sundry receivables	**43,317**	30,630
	235,129	153,530

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**413,801**	387,013
31 – 60 days	**152,034**	108,275
61 – 90 days	**51,597**	74,548
Over 90 days	**22,242**	20,773
	639,674	590,609

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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

Included in the Group's trade and bills receivable balance are receivables with aggregate carrying amount of approximately HK$72,442,000 (2016: HK$60,777,000) 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$567,232,000 (2016: HK$529,832,000) 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 (based on invoice date) of trade and bills receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Within 30 days	**51,414**	45,972
31 – 60 days	**15,224**	7,533
61 – 90 days	**1,922**	2,054
Over 90 days	**3,882**	5,218
	72,442	60,777

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

	2017 HK$'000	2016 HK$'000
1 April	**4,718**	4,928
Amounts written off as uncollectible	**(257)**	–
Exchange adjustments	**(268)**	(210)
31 March	**4,193**	4,718

23. HELD FOR TRADING INVESTMENTS

All held for trading investments are listed debentures carrying interest at fixed rates ranging from 4.00% to 7.95% per annum and maturity dates ranging from 5 October 2019 to 7 February 2022.

The fair values for all of the Group's held for trading investments are categorised as level 2 which are quoted prices available from over-the-counter markets.

24. STRUCTURED DEPOSIT

As at 31 March 2016 and during the current year, the Group invested into structured deposits with certain banks in the PRC by using unutilised funds for investment returns. Majority of these structured deposits are with maturities less than 6 months and the principal is generally renewed when matured. All the structured deposits have matured as at 31 March 2017.

25. RESTRICTED BANK BALANCES

The restricted bank balances mainly represent deposits to banks for use of bank facilities and carry interest at prevailing deposit rate from 0.35% to 1.5% (2016: 0.35% to 1.5%) per annum.

26. BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit rates ranging from 0.001% to 1.1% per annum (2016: 0.001% to 1.1% per annum).

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

	2017	2016
	HK$'000	HK$'000
USD	**736,564**	1,060,050
Ukrainian Hryvnia ("UAH")	**3,449**	–
Renminbi	**2,176**	–
HKD	**–**	10,562
Other currencies	**1,252**	41

Included in bank balances and cash as at 31 March 2016 was a short term time deposit with original maturity period of over 90 days amounted to HK$35,873,000, with effective interest rate of approximately 0.92% per annum. The deposit has matured during the current year.

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Trade payables		
Trade and bills payables	**427,780**	266,529
Other payables and accruals		
Trade deposits received from customers	**194,500**	130,649
Accruals	**223,237**	185,086
Payables for acquisition of property, plant and equipment	**13,895**	20,121
Others	**53,680**	39,056
	485,312	374,912

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:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**401,601**	260,648
31 – 60 days	**14,298**	5,624
61 – 90 days	**5,286**	199
Over 90 days	**6,595**	58
	427,780	266,529

28. VARIABLE-RATE BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured (Note)	76,367	–
Unsecured	998,563	250,000
	1,074,930	250,000
The carrying amounts of the above borrowings are repayable:		
Within one year	1,047,636	250,000
Within a period of more than one year but not exceeding two years	24,766	–
Within a period of more than two years but not exceeding five years	2,528	–
	1,074,930	250,000
Less: Amounts due within one year shown under current liabilities	(1,047,636)	(250,000)
Amounts shown under non-current liabilities	27,294	–

There is no bank borrowings shown under current liabilities that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause.

The Group's bank borrowings carry interest at variable rates which are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.16% to 1.78% (2016: 1.26% to 1.56%), or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1% or ii) Euro Interbank Offered Rate plus a spread, ranging from 2.24% to 4.17% (2016: nil). The weighted average effective interest rate of the above variable-rate bank borrowings was 1.54% (2016: 1.44%) per annum.

Note: As at 31 March 2017, the following assets are pledged against the Group's secured bank borrowings:

	HK$'000
Property, plant and equipment	103,204
Inventories	8,598
	111,802

29. SHARE CAPITAL

	Number of shares '000	Amounts HK$'000
Authorised:		
Ordinary shares:		
At 1 April 2015, 31 March 2016 and 31 March 2017		
– HK$0.40 each	5,000,000	2,000,000
Issued and fully paid:		
At 1 April 2015	1,946,064	778,426
Cancellation of treasury shares (Note a)	(3,200)	(1,280)
Repurchase of shares (Note a)	(19,145)	(7,658)
Exercise of share options	13,143	5,257
At 31 March 2016	1,936,862	774,745
Cancellation of treasury shares (Note a)	(13,293)	(5,317)
Repurchase of shares (Note a)	(60,327)	(24,131)
Exercise of share options	36,035	14,414
Issue of shares pursuant to bonus issue (Note b)	1,926,362	770,545
At 31 March 2017	3,825,639	1,530,256

Notes:

(a) During the current year, 60,327,000 ordinary shares of the Company at HK$0.40 each were repurchased.

	Number of shares repurchased '000	Price range per repurchased share HK$'000
Before Bonus Issue 2016 (defined in note 29b)	2,000	9.87 – 9.93
After Bonus Issue 2016	58,327	4.74 – 5.92
	60,327	

During the year ended 31 March 2016, 32,438,000 ordinary shares of the Company at HK$0.40 each were repurchased at a price ranging from HK$8.72 to HK$9.79 per share. 19,145,000 shares were cancelled. The remaining 13,293,000 shares were recognised as treasury shares as at 31 March 2016 and subsequently cancelled on 5 April 2016 and 13 April 2016.

(b) On 4 August 2016, the Company issued 1,926,362,000 bonus shares (the "Bonus Shares") on the basis of one bonus share for every one existing share held on 22 July 2016 (the "Bonus Issue 2016"), credited as fully paid, by way of capitalising HK$770,545,000, the amount equal to the aggregate par value of the Bonus Shares, from the share premium account of the Company.

30. 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 aggregate excess of 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.

30. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

Details of outstanding share options granted by the Company as at 31 March 2017 and 2016 are as follows:

Date of grant	Exercise period	Number of share options granted	Adjusted number of share options granted (Note)	Original exercise price HK$	Adjusted exercise price HK$ (Note)	Fair value as at date of grant HK$'000
8.2.2012	8.2.2017 – 7.2.2019	1,840,000	7,360,000	4.72	1.18	360
1.2.2013	1.2.2016 – 31.1.2018	5,266,400	21,065,600	7.17	1.80	3,986
	1.2.2017 – 31.1.2019	5,266,000	21,064,000	7.17	1.80	2,713
22.1.2014	22.1.2016 – 21.1.2018	3,765,600	15,062,400	14.56	3.64	6,754
	22.1.2017 – 21.1.2019	3,820,400	15,281,600	14.56	3.64	6,012
21.5.2014	21.5.2016 – 20.5.2018	950,000	3,800,000	11.88	2.97	3,144
10.2.2015	10.2.2017 – 9.2.2019	9,674,400	19,348,800	6.72	3.36	5,289
	10.2.2018 – 9.2.2020	9,582,000	19,164,000	6.72	3.36	4,268
21.5.2015	21.5.2017 – 20.5.2019	200,000	400,000	9.51	4.76	697
26.1.2016	26.1.2018 – 25.1.2020	6,295,200	12,590,400	8.92	4.46	6,126
	26.1.2019 – 25.1.2021	6,193,600	12,387,200	8.92	4.46	5,027
27.1.2016	27.1.2018 – 26.1.2020	126,800	253,600	8.92	4.46	210
	27.1.2019 – 26.1.2021	126,000	252,000	8.92	4.46	227
26.5.2016	26.5.2018 – 3.3.2020	1,200,000	2,400,000	10.46	5.23	3,191
13.1.2017	13.1.2019 – 12.1.2021	2,554,400	N/A	5.17	–	3,166
	13.1.2020 – 12.1.2022	2,552,800	N/A	5.17	–	3,838
	13.1.2021 – 12.1.2023	2,556,400	N/A	5.17	–	4,367

30. 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									
Date of grant	Vesting period	Outstanding at 1.4.2015	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2016	Granted during the year	Adjusted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2017
Directors											
8.2.2012	8.2.2012 – 7.2.2016	182,400	–	–	(129,600)	52,800	–	–	–	(52,800)	–
	8.2.2012 – 7.2.2017	181,600	–	–	–	181,600	–	181,600	–	(363,200)	–
1.2.2013	1.2.2013 – 31.1.2016	1,369,600	–	–	(1,120,000)	249,600	–	–	–	(249,600)	–
	1.2.2013 – 31.1.2017	1,369,600	–	–	–	1,369,600	–	1,369,600	–	(2,739,200)	–
31.5.2013	31.5.2013 – 30.5.2015	1,412,800	–	–	(1,412,800)	–	–	–	–	–	–
22.1.2014	22.1.2014 – 21.1.2016	833,600	–	–	(599,200)	234,400	–	–	–	(234,400)	–
	22.1.2014 – 21.1.2017	833,600	–	–	–	833,600	–	833,600	–	(1,198,400)	468,800
21.5.2015	21.5.2014 – 20.5.2016	1,900,000	–	–	–	1,900,000	–	–	–	(1,900,000)	–
10.2.2015	10.2.2015 – 9.2.2017	1,049,600	–	–	–	1,049,600	–	1,049,600	–	(1,822,400)	276,800
	10.2.2015 – 9.2.2018	1,048,800	–	–	–	1,048,800	–	1,048,800	–	–	2,097,600
21.5.2015	21.5.2015 – 20.5.2017	–	200,000	–	–	200,000	–	200,000	–	–	400,000
26.1.2016	26.1.2016 – 25.1.2018	–	386,400	–	–	386,400	–	386,400	–	–	772,800
	26.1.2016 – 25.1.2019	–	385,600	–	–	385,600	–	385,600	–	–	771,200
27.1.2016	27.1.2016 – 26.1.2018	–	126,800	–	–	126,800	–	126,800	–	–	253,600
	27.1.2016 – 26.1.2019	–	126,000	–	–	126,000	–	126,000	–	–	252,000
26.5.2016	26.5.2016 – 25.5.2018	–	–	–	–	–	200,000	200,000	–	–	400,000
13.1.2017	13.1.2017 – 12.1.2019	–	–	–	–	–	286,800	–	–	–	286,800
	13.1.2017 – 12.1.2020	–	–	–	–	–	286,800	–	–	–	286,800
	13.1.2017 – 12.1.2021	–	–	–	–	–	285,600	–	–	–	285,600
		10,181,600	1,224,800	–	(3,261,600)	8,144,800	1,059,200	5,908,000	–	(8,560,000)	6,552,000
Employees											
6.7.2011	6.7.2011 – 5.7.2014	320,000	–	–	–	320,000	–	–	–	(320,000)	–
8.2.2012	8.2.2012 – 7.2.2016	2,220,000	–	(342,400)	(1,822,400)	55,200	–	–	–	(55,200)	–
	8.2.2012 – 7.2.2017	2,148,800	–	(376,000)	–	1,772,800	–	1,722,400	(197,600)	(3,091,200)	206,400
1.2.2013	1.2.2013 – 31.1.2016	7,163,200	–	(1,532,000)	(5,363,200)	268,000	–	54,400	(102,400)	(213,600)	6,400
	1.2.2013 – 31.1.2017	7,162,400	–	(1,584,000)	–	5,578,400	–	5,344,800	(586,400)	(9,256,800)	1,080,000
22.1.2014	22.1.2014 – 21.1.2016	6,007,200	–	(1,164,000)	(2,696,000)	2,147,200	–	413,600	(36,800)	(2,261,600)	262,400
	22.1.2014 – 21.1.2017	6,100,000	–	(1,211,200)	–	4,888,800	–	4,720,000	(533,600)	(4,843,200)	4,232,000
10.2.2015	10.2.2015 – 9.2.2017	8,574,800	–	(1,392,400)	–	7,182,400	–	6,842,800	(1,053,200)	(7,433,600)	5,538,400
	10.2.2015 – 9.2.2018	8,483,600	–	(1,378,800)	–	7,104,800	–	6,771,200	(1,291,200)	–	12,584,800
26.1.2016	26.1.2016 – 25.1.2018	–	5,908,800	(88,400)	–	5,820,400	–	5,533,600	(970,000)	–	10,384,000
	26.1.2016 – 25.1.2019	–	5,808,000	(76,800)	–	5,731,200	–	5,453,600	(949,600)	–	10,235,200
26.5.2016	26.5.2016 – 25.5.2018	–	–	–	–	–	1,000,000	1,000,000	–	–	2,000,000
13.1.2017	13.1.2017 – 12.1.2019	–	–	–	–	–	2,267,600	–	(23,600)	–	2,244,000
	13.1.2017 – 12.1.2020	–	–	–	–	–	2,266,000	–	(23,600)	–	2,242,400
	13.1.2017– 12.1.2021	–	–	–	–	–	2,270,800	–	(24,800)	–	2,246,000
		48,180,000	11,716,800	(9,146,000)	(9,881,600)	40,869,200	7,804,400	37,856,400	(5,792,800)	(27,475,200)	53,262,000
Exercisable at the end of the reporting period						3,327,200					12,071,200

30. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

Note:

The number of share options granted and the relevant exercise price are adjusted to reflect the effect of bonus issues by the Company, including the bonus issue in January 2015 and the Bonus Issue as defined in note 29.

During the year ended 31 March 2017, share options of 1,200,000 and 7,663,600 shares were granted on 26 May 2016 and 13 January 2017. The estimated fair values of the options granted on those dates are 3,191,000 and 11,371,000 respectively. The closing price of the Company's shares at the date of grant were HK$10.46 and HK$5.12 respectively.

During the year ended 31 March 2016, share options of 200,000, 12,488,800 and 252,800 shares were granted on 21 May 2015, 26 January 2016 and 27 January 2016. The estimated fair values of the options granted on those dates are HK$697,000, HK$11,153,000 and HK$437,000 respectively. The closing price of the Company's shares at dates of grant were HK$9.51, HK$8.56 and HK$8.57 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 2017 and 2016 are as follows:

Date of grant	21.5.2015	26.1.2016	27.1.2016	26.5.2016	13.1.2017
Closing share price at date of grant	HK$9.51	HK$8.56	HK$8.57	HK$10.46	HK$5.12
Original exercise price	HK$9.51	HK$8.92	HK$8.57	HK$10.46	HK$5.17
Adjusted exercise price with effect to Bonus Issue	N/A	N/A	N/A	HK$5.23	N/A
Suboptimal exercise factor	2.8	2.2 to 2.8	2.2 to 2.8	1.6 to 2.5	2.2 to 2.8
Expected volatility	56.97%	46.02% to 52.23%	46.02% to 52.23%	43.13%	40.7% to 49.5%
Expected dividend yield	2.73%	4.53% to 4.59%	4.53% to 4.59%	4.22%	4.56%
Risk free rate	0.93%	0.84% to 1.23%	0.84% to 1.23%	0.90%	1.30% to 1.38%
Fair value	HK$3.49	HK$0.75 to HK$1.81	HK$0.75 to HK$1.81	HK$2.66	HK$1.22 to HK$1.71

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$11,067,000 (2016: HK$9,859,000) in relation to the share options granted by the Company.

30. 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.

No shares granted by the Company under the Share Award Scheme was outstanding as at 31 March 2016 and 2017.

31. BUSINESS COMBINATION

On 20 November 2016, Man Wah Group Limited, a wholly-owned subsidiary of the Company, an independent third party (the "Original Shareholder") and Home Group Ltd. (the "Target"), entered into a shareholders' agreement (the "Shareholders' Agreement") for a strategy alliance for the production and sale of upholstered furniture in Europe and stationary fabric sofas in China. Pursuant to the Shareholders' Agreement, the Original Shareholder agreed to transfer certain equity interests in four entities (the "Injected Interests") to the Target; the Group agreed to subscribe and the Target agreed to issue 3,000 shares, representing 50% of the then issued share capital of the Target, after the Injected Interests have been transferred to the Target, for a consideration to be determined under a contingent arrangement ("Contingent Consideration"); and the Group agreed to purchase and the Original Shareholder agreed to sell an additional 2.5% equity interest in each of the entities included in the Injected Interests for an aggregate cash consideration of USD1,350,000 (equivalent to HK$10,486,000).

According to the Shareholders' Agreement and the articles of association of the Target, the Group has the majority voting power in the board of directors of the Target, by which the relevant activities that significantly affect the return of the Target are determined on a simple majority basis, and accordingly, the Target is accounted for as a subsidiary of the Group at the acquisition date of 31 December 2016, being the closing date of the investment. The investment has been accounted for using the acquisition method.

The Contingent Consideration of acquiring the 3,000 shares of the Target is divided into three instalments with the instalment amounts determined based on different multiples to the Target's consolidated profits for the years ending 31 December 2017, 2018 and 2019 (the "Determination Period"), respectively. The Contingent Consideration is limited to within the range from approximately EUR10 million to EUR50 million. The Group has a right to elect whether to proceed to the subsequent instalment at the time when the amount of the previous instalment is determined (the "Put Option"). The Put Option is classified as a derivative at initial recognition. By exercising the Put Option, the Group will have no obligation to pay for any subsequent instalment(s) to the Target, reducing the Group's voting power in the board of director of the Target and the Group will loss control of the Target from then. Directors of the Company have determined that the chance to exercise the Put Option and the value of the Put Option is not significant to the Group at both the acquisition date and at the end of the reporting period.

31. BUSINESS COMBINATION – continued

Directors of the Company have determined at the acquisition date that the contingent consideration is HK$414,404,000 based on a business forecast of the Target in the Determination Period. The business forecast of the Target is prepared with reference to the past performance of the Injected Interests and the expansion plan of the Target, among others. The contingent consideration is eliminated in these consolidated financial statements with the portion shared to non-controlling interest amounted to HK$207,202,000.

Fair value of assets acquired and liabilities assumed recognised at the date of acquisition were determined on a provisional basis as follows:

	HK$'000
Property, plant and equipment	160,897
Investment properties	56,515
Intangible assets	173,102
Deposits paid for acquisition of property, plant and equipment	257
Inventories	47,797
Tax recoverable	465
Bank balances and cash	10,755
Trade receivables	55,185
Other receivables and prepayments	10,517
Other non-current liabilities	(22,994)
Creditors and accruals	(143,754)
Variable-rate bank borrowing	(112,259)
Deferred tax liabilities	(29,870)
Total identifiable net assets	206,613

The non-controlling interest in the Target recognised at the acquisition date amounted to HK$333,095,000, which was measured by reference to the effective non-controlling interest to the fair value of the identifiable assets acquired, liabilities assumed, and the future increase in asset value arising from the contingent consideration which is to be injected by the Group to the Target. Directors of the Company determines that the non-controlling interest in the Target represents the only material non-controlling interest to the Group as at 31 March 2017.

Acquisition-related costs amounting to HK$1,903,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses, in the consolidated statement of profit or loss and other comprehensive income.

31. BUSINESS COMBINATION – continued

Goodwill arising on acquisition (determined on a provisional basis):

	HK$'000
Cash consideration	10,486
Contingent consideration	414,404
Plus: non-controlling interests	333,095
Less: provision fair values of identifiable net assets acquired	(206,613)
Less: contingent capital injection to the Target	(414,404)
Provisional goodwill arising on acquisition	136,968

The goodwill is determined on a provisional basis as the fair value of the identifiable assets acquired can be determined on a provisional value only. The Company is in the process of finalising the independent valuation. It may be adjusted upon the completion of the initial accounting.

Goodwill arose in the acquisition of The Target because the cost of the combination included a control premium amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Target. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill on provisional basis arising on these acquisitions is not expected to be deductible for tax purposes.

Net cash outflow arising on the acquisition:

	HK$'000
Cash consideration paid	10,486
Add: Cash and bank balances acquired	(10,755)
	(269)

Included in the profit and revenue for the year are HK$3,371,000 and HK$202,488,000, respectively, attributable to the additional business generated by the Target.

Had the acquisition been completed on 1 April 2016, total group revenue for the year would have been HK$8,497 million, and profit for the year would have been HK$1,776 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

31. BUSINESS COMBINATION – continued

In determining the 'pro-forma' revenue and profit of the Group had the Target been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

32. GOODWILL

	HK$'000
COST	
At 1 April 2016	–
Arising on acquisition of subsidiaries (note 31)	136,968
Exchange adjustments	605
At 31 March 2017	137,573

For the purposes of impairment testing, goodwill on a provisional basis has been allocated to an individual CGU in the Home Group business. During the year ended 31 March 2017, the directors of the company determine that there are no impairment of this CGU.

The recoverable amount of the CGU has been determined based a value in use calculation. That calculation uses cash flow projections based on a business forecast approved by management covering a 5-year period, and pre-tax discount rate of 18.26%. The CGU's cash flows beyond the 5-year period are extrapolated at nil growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance available and management's expectations for the CGU's future development plan. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

33. OPERATING LEASES

The Group as lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments paid under operating leases recognised as an expense	**76,454**	84,827

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:

	2017 HK$'000	2016 HK$'000
Within one year	**46,326**	42,404
In the second to fifth year inclusive	**19,722**	28,840
	66,048	71,244

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:

	2017 HK$'000	2016 HK$'000
Rental income	**4,365**	2,025
Less: outgoings	**(183)**	(22)
	4,182	2,003

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

	2017 HK$'000	2016 HK$'000
Within one year	**5,551**	1,653
In the second to fifth year inclusive	**14,544**	1,835
	20,095	3,488

The properties generate rental yield of 3% (2016: 3%) on an ongoing basis. All of the properties held have committed tenants for contract terms of two years.

34. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**48,844**	39,375
– construction of production plant	**204,263**	94,645
– construction of properties under development for sale	**256,997**	340,739
– acquisition of lease premium for land	**–**	22,644
	510,104	497,403

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.

The Group pays contributions to social security funds in various European countries on behalf of their employees based on a defined contribution plan in accordance with the local legal requirements. The defined contribution plan is a plan under which the Group pays fixed contributions into the funds and will have no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period.

36. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	2017 HK$'000	2016 HK$'000
Rental expense paid to related parties (Note)	**2,580**	2,485

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) Compensation of key management personnel

The emoluments of executive 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 28, cash and cash equivalents disclosed in note 26 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 29 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

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,500,653**	2,095,935
Available-for-sale investment	–	1,794
Held for trading investments	**367,862**	–
Financial liabilities		
Amortised cost	**1,570,285**	575,706

38. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, held for trading investments, bank balances and cash, restricted bank balances and bank 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, restricted bank balances and bank 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.

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

Assets

	2017 HK$'000	2016 HK$'000
USD	**766,425**	1,044,730
EUR	**17,446**	–
UAH	**3,449**	–
RMB	**2,176**	–
HKD	**178**	10,562
Other currencies	**9,031**	2,348

Liabilities

	2017 HK$'000	2016 HK$'000
USD	**304,440**	68,799
RMB	**100,000**	–
EUR	**14,695**	–
HKD	**2,369**	–
Other currencies	**2,049**	–

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.

	2017 **HK$'000**	2016 HK$'000
Increase (decrease) in profit for the year		
– USD	**(16,745)**	(40,789)
– RMB	**(4,084)**	–
– UAH	**140**	–

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, Best Lending Rate or Euro Interbank Offered 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 2017 would increase/decrease by HK$6,989,000 (2016: HK$5,948,000). 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 borrowings 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 2017 would decrease/increase by HK$4,478,000 (2016: HK$1,044,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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 80% (2016: 90%) of the Group's bank balance is deposited into three (2016: three) banks. The directors of the Company anticipated that the related credit risk is limited because the banks are with good reputations.

12% (2016: 11%) and 33% (2016: 35%) 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 managing 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. 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.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2017					
Non-derivative financial liabilities					
Trade and other payables	–	495,355	–	495,355	495,355
Bank borrowings – variable rate	1.54	1,049,879	28,911	1,078,790	1,074,930
		1,545,234	28,911	1,574,145	1,570,285

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2016				
Non-derivative financial liabilities				
Trade and other payables	–	325,706	325,706	325,706
Bank borrowings – variable rate	1.44	250,300	250,300	250,000
		576,006	576,006	575,706

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. There is no bank loan that is not repayable within one year from the end of the reporting periods but contains a repayable on demand clause for both years.

38. FINANCIAL INSTRUMENTS – continued

Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's held for trading investments are measured at fair value at the end of each reporting period. The fair values are categorised as level 2 which are quoted prices available from over-the-counter markets.

There is no transfer of financial assets or financial liabilities between level 1 to level 3 in the year.

(ii) 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 2017 and 2016.

Financial assets and financial liabilities subject to offsetting

During the year, the Group entered into several agreements with a bank in the PRC to set off all its rights and obligations towards bank deposits amounted to RMB202,000,000 and USD169,588,000, bank borrowings amounted to USD200,000,000 and a forward exchange contract.

39. DERIVATIVE FINANCIAL INSTRUMENT

The Group has entered into a foreign currency forward contract on 30 March 2017, with the major terms as follows:

Notional amount	Maturity	Exchange rates
Buy RMB in total of HKD100,088,000	28 April 2017	HKD/RMB 1.1268

There are no significant change in fair value of the foreign currency forward contract from the contract date to the end of the reporting period.

40. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2017 and 2016 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 2017	2016	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] 敏華傢具(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] 敏華傢具總部(吳江)有限公司	The PRC	USD110,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam

40. 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 2017	2016	Principal activities
Indirectly owned – continued					
Remaco Machinery Technology (Wujiang) Co., Ltd. *[1] 鋭邁機械科技(吳江)有限公司	The PRC	RMB150,000,000	**90%**	100%	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
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.*[1] 敏華傢具製造(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] 敏華傢具製造(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] 金雅典床具製造(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] 敏華家居産業(惠州)有限公司	The PRC	USD1,800,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Strongest Will International Limited 凌志國際有限公司	Hong Kong	HK$10,000	**90%**	70%	Investment holding
Man Wah Brand Management (Tianjin) Co., Ltd*[1] 敏華品牌管理(天津)有限公司	The PRC	RMB500,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam

40. 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 2017	2016	Principal activities
Indirectly owned – continued					
Man Wah Home Center (Huizhou) Co., Ltd*[1] 敏華家居商場（惠州）有限公司	The PRC	USD32,500,000	**100%**	100%	Operation of furniture mall, leasing and management
Suzhou Hua Yi Feng Transportation Company Limited*[1] 蘇州華億豐貨物運輸有限公司	The PRC	RMB2,000,000	**100%**	100%	Providing transportation service
Man Wah Home Center (Suzhou) Company Limited*[1] 敏華家居（蘇州）有限公司	The PRC	USD120,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products and other furniture
Suzhou Ju Long Ge Property Management Company Limited*[2] 蘇州聚瓏閣物業管理有限公司	The PRC	RMB500,000	**100%**	100%	Providing property management service
Chongqing Man Wah Furniture Manufacturing Co., Ltd.*[2] 重慶敏華傢具製造有限公司	The PRC	RMB300,000,000	**100%**	–	Manufacturing and trading of sofas, bedding products, other furniture and foam
Strongest Will Furniture Trading (Tianjin) Co., Ltd.*[2] 凌志傢具銷售（天津）有限公司	The PRC	RMB3,000,000	**100%**	–	Trading of sofas, bedding products, other furniture and foam
Remaco Brand Management (Tianjin) Co., Ltd.*[2] 銳邁品牌管理（天津）有限公司	The PRC	RMB3,000,000	**100%**	–	Trading of sofas, bedding products, other furniture and foam
Home Group Ltd.[2,4]	Cayman Islands	EUR6,000	**50%**	–	Investment holding
Home Group Holdings Ltd.[2,4]	Hong Kong	HK$1	**50%**	–	Investment holding

40. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES – continued

* 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 2017.

[3] These companies were newly acquired during the year ended 31 March 2017.

[4] Companies not audited by Deloitte Touche Tohmatsu. The financial statements of the subsidiaries not audited by Deloitte Touche Tohmatsu reflect total net assets and total revenue constituting 7% and 3% respectively of the related consolidated totals.

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.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Interests in subsidiaries	**252,479**	252,479
Held for trading investments	**156,216**	–
	408,695	252,479
Current assets		
Other receivables and prepayments	**596**	454
Amounts due from subsidiaries	**622,711**	988,363
Cash and bank balances	**1**	10,562
	623,308	999,379
Current liabilities		
Other payables and accruals	**9,366**	919
Net current assets	**613,942**	998,460
Net assets	**1,022,637**	1,250,939
Capital and reserves		
Share capital	**1,530,256**	774,745
Reserves (Note)	**(507,619)**	476,194
Total equity	**1,022,637**	1,250,939

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 24 May 2017 and are signed on its behalf by:

WONG MAN LI
DIRECTOR

WANG GUISHENG
DIRECTOR

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note: Movement in reserves of the Company are as follows:

	Treasury shares HK$'000	Contributed surplus HK$'000	Shares held under share award scheme HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	(1,280)	1,379,830	(448)	13,479	(385,234)	1,006,347
Profit and total comprehensive income for the year	–	–	–	–	260,888	260,888
Cancellation of treasury shares	1,280	–	–	–	–	1,280
Repurchase of shares	(5,317)	(285,585)	–	–	–	(290,902)
Recognition of equity-settled share-based payments	–	–	–	9,859	–	9,859
Issue of shares upon exercise of share options	–	59,737	–	(7,359)	–	52,378
Dividends paid	–	–	–	–	(563,656)	(563,656)
At 31 March 2016	(5,317)	1,153,982	(448)	15,979	(688,002)	476,194
Profit and total comprehensive income for the year	–	–	–	–	892,179	892,179
Cancellation of treasury shares	5,317	–	–	–	–	5,317
Repurchase of shares	–	(317,935)	–	–	–	(317,935)
Bonus issue	–	(770,545)	–	–	–	(770,545)
Recognition of equity-settled share-based payments	–	–	–	11,067	–	11,067
Issue of shares upon exercise of share options	–	107,960	–	(12,746)	–	95,214
Dividends paid	–	–	–	–	(899,110)	(899,110)
At 31 March 2017	–	173,462	(448)	14,300	(694,933)	(507,619)

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.	Praca Wong Chio L19, Alameda Dr. Carlos D'Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
4.	Unit 1904, Tower 1, Huiyang World Trade Plaza, Baiyun Er Road, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	Commercial	Medium	100%
5.	Industrial Complex located at Man Wah Industrial Zone No. 189 Industrial District, Henggang Town, Longgang, Shenzhen City, Guangdong Province, the PRC	Industrial	Medium	100%
6.	Industrialna 10, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%
Properties for the Group's own use				
7.	Industrial Complex located at Man Wah Industrial District Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%

Location		Existing use	Lease term	Attributable interest of the Group
8.	No. 5555, TongJin Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
9.	CHEERS Flagship Store, CBD International Famous Store Street, 21 North Avenue, Hankou District, Wuhan City, Hubei Province, the PRC	Commercial	Long	100%
10.	Praca Wong Chio J19, Alameda Dr. Carlos D'Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
11.	Praca Wong Chio K19, Alameda Dr. Carlos D'Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
12.	668 N. Main Street, High Point, NC 27260-5018, USA	Commercial	Long	100%
13.	78 Fuyuan Road, Wuqing Development Zone, Tianjin, the PRC	Industrial	Long	100%
14.	Kopli St. 68/ Volta St. 1 & / Kopli St. 70, Tallinn, Estonia	Industrial	Long	40%
15.	Kolejowa Street 13-100, Nidzica, Poland	Industrial	Long	40%
16.	Lesna Street 13-100, Nidzica, Poland	Industrial	Long	40%
17.	Silutès pl. 95, Klaipeda, Lithuania	Industrial	Long	40%
18.	Kriukai, Darbininku street 14A and 20A, Sakiai, Lithuania	Industrial	Long	40%
19.	Industrialna 12, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	4,876,976	5,991,060	6,554,811	7,327,590	**7,779,015**
Cost of goods sold	(3,105,818)	(3,860,027)	(4,221,985)	(4,431,563)	**(4,520,832)**
Gross profit	1,771,158	2,131,033	2,332,826	2,896,027	**3,258,183**
Other income	89,231	286,369	320,372	175,927	**159,752**
Other gains and losses	33,396	69,542	(7,704)	4,457	**184,001**
Selling and distribution expenses	(934,550)	(972,706)	(1,012,242)	(1,229,313)	**(1,173,878)**
Administrative expenses	(325,907)	(338,568)	(351,976)	(344,913)	**(365,441)**
Share of profit of a joint venture	7,374	8,877	1,075	(221)	**–**
Share of (loss) profit of an associate	(1)	12,314	(1,020)	–	**–**
Finance costs	(16,807)	(43,160)	(22,594)	(11,964)	**(10,271)**
Profit before income tax	623,894	1,153,701	1,258,737	1,490,000	**2,052,346**
Income tax expense	(58,050)	(167,373)	(174,799)	(150,182)	**(293,222)**
Profit for the year	565,844	986,328	1,083,938	1,339,818	**1,759,124**
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	27,582	(29,632)	7,099	(216,966)	**(305,526)**
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	517	**21,786**
Total comprehensive income for the year	593,426	957,231	1,093,882	1,123,369	**1,475,384**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Profit for the year attributable to:					
Owners of the Company	568,401	976,965	1,075,159	1,327,244	**1,752,370**
Non-controlling interest	(2,557)	9,363	8,779	12,574	**6,754**
	565,844	986,328	1,083,938	1,339,818	**1,759,124**
Total comprehensive income (expenses) for the year attributable to:					
Owners of the Company	595,757	948,061	1,085,032	1,111,431	**1,467,215**
Non-controlling interest	(2,331)	9,170	8,850	11,938	**8,169**
	593,426	957,231	1,093,882	1,123,369	**1,475,384**
Earnings per share (Note)					
Basic (HK cents)	15.72	26.82	27.83	34.15	**45.64**
Diluted (HK cents)	15.70	25.57	27.28	33.89	**45.47**
Dividend per share (Note)					
Interim dividend (HK cents)	2.5	6.25	6.25	8.0	**14.0**
Special dividend (HK cents)	–	–	18.75	–	**–**
Final dividend (HK cents)	4.5	6.25	6.5	9.5	**14.0**
Full year dividend (HK cents)	7.0	12.5	31.5	17.5	**28.0**
Dividend Payout Ratio (%)	43.7%	47.6%	114.9%	51.0%	**61.0%**

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 4 August 2016. 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

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Non-current assets					
Property, plant and equipment	1,531,884	1,606,740	1,987,681	2,033,774	**2,267,824**
Investment properties	31,894	17,200	53,500	52,156	**170,781**
Lease premium for land	445,464	542,855	534,323	318,598	**451,219**
Other intangible assets	1,082	852	626	382	**169,004**
Interest in a joint venture	7,721	10,365	221	–	**–**
Interest in an associate	4	12,318	–	–	**–**
Loan to an associate	19,040	56,539	–	–	**–**
Available-for-sale investment	3,749	3,740	3,748	1,794	**–**
Deferred tax assets	2,293	2,881	1,731	1,246	**2,589**
Properties under development	–	–	–	304,043	**384,481**
Refundable earnest money paid for lease premium for land	4,226	4,216	7,973	4,045	**3,815**
Deposit paid for acquisition of a land lease	16,244	–	–	38,489	**11,280**
Derivative financial instruments	558	–	–	–	**–**
Deposits paid for acquisition of property, plant and equipment	38,595	53,115	102,907	52,059	**79,612**
Goodwill	–	–	–	–	**137,573**
	2,102,754	2,310,821	2,692,710	2,806,586	**3,678,178**
Current assets					
Inventories	635,668	701,959	781,231	607,199	**749,253**
Trade receivables	369,119	500,897	622,052	590,609	**639,674**
Other receivables and prepayments	197,640	214,930	215,404	153,530	**235,129**
Lease premium for land	9,567	12,028	12,109	7,386	**9,648**
Derivative financial instruments	24,586	23,103	4,067	–	**–**
Held for trading investments	–	–	–	–	**367,862**
Tax recoverable	317	996	1,372	5,102	**1,744**
Structured deposits	–	–	165,059	26,313	**–**
Restricted bank balances	5,967	2,929	2,698	875	**9,364**
Bank balances and cash	1,655,439	2,362,450	1,599,028	1,447,508	**1,808,298**
	2,898,303	3,819,292	3,403,020	2,838,522	**3,820,972**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Current liabilities					
Trade payables	259,135	290,472	280,647	266,529	**427,780**
Other payables and accruals	311,793	357,227	371,439	374,912	**485,312**
Variable-rate bank borrowing	745,660	537,870	937,912	250,000	**1,047,636**
Tax payable	9,345	45,970	45,327	40,034	**64,636**
Convertible Bonds – current portion	–	5,218	–	–	**–**
Derivative financial instruments	–	3,796	3,006	–	**–**
	1,325,933	1,240,553	1,638,331	931,475	**2,025,364**
Net current assets	1,572,370	2,578,739	1,764,689	1,907,047	**1,795,608**
Total assets less current liabilities	3,675,124	4,889,560	4,457,399	4,713,633	**5,473,786**
Non-current liabilities					
Deferred tax liabilities	5,908	4,877	5,068	3,280	**42,830**
Variable-rate bank borrowing	–	–	–	–	**27,294**
Other Non-current liabilities	–	–	–	–	**7,337**
Derivative financial instruments	249	–	–	–	**–**
Convertible bonds – non-current portion	–	251,412	–	–	**–**
Government subsidies receipt in advance	200,394	130,960	–	–	**–**
	206,551	387,249	5,068	3,280	**77,461**
	3,468,573	4,502,311	4,452,331	4,710,353	**5,396,325**
Capital and reserves					
Share capital	356,412	380,039	778,426	774,745	**1,530,256**
Reserves	3,073,600	4,074,541	3,617,324	3,937,591	**3,508,286**
Equity attributable to owners of the Company	3,430,012	4,454,580	4,395,750	4,712,336	**5,038,542**
Non-controlling interest	38,561	47,731	56,581	(1,983)	**357,783**
	3,468,573	4,502,311	4,452,331	4,710,353	**5,396,325**