MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

First Class Experience

Everyday

Annual Report 2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Man Li
(Chairman and Managing Director)
Ms. Hui Wai Hing
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying
Mr. Tsang Hoi Lam

Independent non-executive Directors
Mr. Ong Chor Wei
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Ong Chor Wei
Mr. Ding Yuan
Mr. Kan Chung Nin, Tony (Appointed on 28 May 2019)

NOMINATION COMMITTEE

Mr. Wong Man Li *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan
Mr. Tsang Hoi Lam

REMUNERATION COMMITTEE

Mr. Ding Yuan *(Chairman)*
Mr. Wong Man Li
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Mr. Tsang Hoi Lam

COMPANY SECRETARY

Ms. Liu Xiaoting (Resigned on 28 May 2019)
Mr. Tsang Hoi Lam (Appointed on 28 May 2019)

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.
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 54, Member of the National Committee of Chinese People's Political Consultation Conference ("CPPCC"), BBS, JP, 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 a director of Man Wah Investments Limited, the controlling shareholder of the Company.

Ms. Hui Wai Hing, aged 56, 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 23 years of experience in the furniture industry, over 22 years of which is management experience in our Group.

Mr. Alan Marnie, aged 48, 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 29 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 46, 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 32, 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 has been appointed as the General Manager of the Group's International Marketing Center, which is responsible for the Group's export business, since December 2018. 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 is a member of Tianjin's Political Consultative Conference. She graduated from the University of Wisconsin Madison, Wisconsin, United States of America in 2009 with bachelor's degrees in both Marketing and Sociology. Ms. Wong Ying Ying is also a director of Man Wah Investments Limited, the controlling shareholder of the Company.

Mr. Tsang Hoi Lam, aged 36, is our executive Director and chief financial officer since 31 March 2018 after joining the Company as the deputy chief financial officer since April 2017. Mr. Tsang is also a member of the Company's nomination committee and remuneration committee. Mr. Tsang is also a supervisor or director (as the case may be) of certain subsidiaries of the Group. He received a bachelor's degree of Business Administration (major in accounting and finance) from The University of Hong Kong in 2004. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Tsang was a deputy financial controller of a subsidiary of Lee & Man Paper Manufacturing Company Limited (stock code: 2314), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from October 2013 to February 2017. Prior to that, he served as an audit manager in Deloitte Touche Tohmatsu from September 2009 to September 2013.

Independent non-executive Directors

Chau Shing Yim, David ("Mr. Chau"), aged 56 has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as their Head of Merger and Acquisition and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member as well as director of the Hong Kong Securities Institute and the Chairman of Corporate Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is currently an independent non-executive director of Branding China Group Limited (Stock Code: 863), China Evergrande Group (Stock Code: 3333), Evergrande Health Industry Group Limited (Stock Code: 708), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Lee & Man Paper Manufacturing Limited (Stock Code: 2314) and Man Wah Holdings Limited (Stock Code: 1999). All the aforesaid companies are listed on the Stock Exchange of Hong Kong.

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (Stock Code: 313) from February 2012 to September 2018, Asia Grocery Distribution Limited (Stock Code: 8413) from March 2017 to August 2018 and Varitronix International Limited (Stock Code: 710) from July 2009 to June 2016. All the aforesaid companies are listed on the Stock Exchange of Hong Kong.

Mr. Ong Chor Wei, aged 49, 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. Mr. Ong is also an independent non-executive Director of Smart Globe Holdings Limited (stock code: 8485), a company listed on the GEM Board of the Stock Exchange. Mr. Ong is also the non-executive Director of Prosperous Printing Company Limited (stock code: 8385), which is listed on GEM 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 served as non-executive Director of Vico International Holdings Limited (Stock code: 1621), which is listed on the main board of the Stock Exchange, from June 2017 to February 2019. 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 68, 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 has been appointed as a member of the Company's Audit Committee since 28 May 2019. 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 officio 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. He is an independent non-executive Director of Hopewell Highway Infrastructure Limited (stock code: 737) since 11 April 2018. The above mentioned companies are listed on the main board of the Stock Exchange. He has been appointed as a vice chairman of the Board of Directors of DBG Technology Co. Ltd, (Stock Code: 300735) which has been listed on Shenzhen Stock Exchange ChiNext on 29 December 2017.

Mr. Ding Yuan, aged 49, ("Mr. Ding") 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 there as the Cathay Capital Chair Professor in Accounting, vice president and dean. Mr. Ding has been an independent non-executive director of Landsea Green Properties Co., Ltd.（朗詩綠色地產有限公司）(stock code: 106) since 2013, which is listed on the main board of the Stock Exchange. He is currently a director of Jaccar Holdings, a private investment company. Mr. Ding is currently a non-executive director of Saurer Intelligent Technology Co. Ltd.（卓郎智能技術股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600545) from May 2018 and an independent non-executive director of Bluestar Adisseo Company（藍星安迪蘇股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600299) from October 2018. 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 served as 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) from March 2012 to November 2018. 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

	FY2019 HK$000	FY2018 HK$000	FY2017 HK$000 (Restated)	FY2016 HK$000	FY2015 HK$000
Revenue	**11,257,792**	10,026,573	7,779,015	7,327,590	6,554,811
Gross profit margin	**34.1%**	37.3%	41.9%	39.5%	35.6%
Selling and administrative expense/Revenue	**20.9%**	21.3%	19.8%	21.5%	20.8%
Operating profit margin	**13.2%**	16.0%	22.1%	18.0%	14.8%
Profit attributable to owners of the Company	**1,363,801**	1,535,908	1,752,370	1,327,244	1,075,159
Net profit margin	**12.1%**	15.3%	22.5%	18.1%	16.4%
Basic EPS (HK$ cents)	**35.62**	40.22	45.64	34.15	27.83
Diluted EPS (HK$ cents)	**35.60**	40.04	45.47	33.89	27.28
Interim dividend (HK$ cents)	**6.0**	13.0	14.0	8.0	6.25
Special dividend (HK$ cents)	**–**	–	–	–	18.75
Proposed final dividend (HK$ cents)	**6.0**	12.0	14.0	9.5	6.5
Dividend payout ratio	**33.7%**	62.1%	61.0%	51.0%	114.9%
Inventory days	**61.0**	52.8	54.8	57.3	64.1
Account receivable days	**36.7**	29.0	28.9	30.3	31.3
Account payable days	**34.9**	34.3	28.0	22.6	24.7
Total assets	**13,145,787**	9,470,739	7,511,744	5,645,108	6,095,730
Total liabilities	**6,429,724**	3,026,255	2,102,825	934,755	1,643,399
Total equity	**6,716,063**	6,444,484	5,408,919	4,710,353	4,452,331
Bank balances and cash	**1,438,339**	1,406,959	1,808,298	1,447,508	1,599,028
Return on equity[1]	**21.9%**	25.8%	34.8%	28.2%	24.5%
Return on assets[2]	**10.4%**	16.2%	23.4%	23.5%	17.6%

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 Financial Year ended 31 March 2017 (“FY2017”), 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.

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 2019 ("FY2019", the "Review Period" or the "Current FY").

BUSINESS REVIEW

During the Review Period, the Group faced a series of challenges, including the tariffs imposed by US Government on the goods imported from China and intense competition. However, the Group still continued to improve its operational efficiency and develop competitive products and improve the functions and quality of products to cater to the increase in the mid income group. During the Review Period, the Group's revenue reached a new high.

In the China market, although the competition in recliner sofa industry is very keen, the Group benefited from the trend of consumption upgrades in household products, and has achieved a steady revenue growth through its increased efforts in brand promotion and marketing, as well as its active promotion of refined management of sales terminal. The Group still continued its strategy by decreasing the cost of materials through vertical integration and positioning its products at a good quality with reasonable price. Some of the components and materials, including metal compounds and motor portion, have been manufactured by the Group itself.

In the North America market, there was "Trade War" between the US Government and Chinese Government. Tariffs were imposed on the products exported to USA from China in September 2018 and this has negatively impacted the China's export business. To mitigate such negative effects from tariffs, the Group acquired a factory in Vietnam in June 2018. The manufacturing of products exported to USA is expected to move from China to Vietnam. Although there are adverse effects from a series of external factors, the Group still maintained a steady growth in revenue in the North America market.

In Europe and other overseas markets (excluding Home Group, and its subsidiaries), the Group's sofa revenue in Europe had increased during the Review Period. This is accounted for by moderate economy recovery and improvement of financial position of certain large customers. However, Home Group and its subsidiaries recorded a slight decrease in revenue, because the trend in part of the workforce in Ukraine made it more difficult to hire in its Ukraine factories, resulting in a slight decrease in capacity, thereby affecting revenue.

In terms of its internal management, the Group continued to improve and refine management and establish a craftsman's spirit to improve its product quality and cost indicators.

PROSPECTS

In the future, the Group will continue to strengthen its core competitiveness in recliner sofa and maintain its leading position in the industry. Through further vertical integration, the Group intends to improve the proportion of self-produced spare parts, which can in turn 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 intellectualisation. At the same time, the Group will also continue to provide healthy, comfortable, value-for-money, and trendy furniture products.

The Group is fully aware of the great potential of branded furniture market in China, and will accelerate the pace of its expansion in the PRC market in the next year. The Group will strengthen brand promotion, with the aim of building the "CHEERS First-Class Cabin" brand as a consumer brand well-known to every household, and continues to expand its store network in China. In addition, the Group will, as always, strengthen the refined management of existing stores, including performance management at stores, and better motivate its store staffs to maintain a steady revenue growth in existing stores. On the other hand, the Group will be eager to develop on-line sales because the consumption ability of younger consumers, the main consumer group of on-line business, become higher and able to afford to recliner sofa.

In the North American market, challenges are still intensive, including the "Trade War" between the US Government and Chinese Government. The production capacity of the newly acquired factory in Vietnam has been increased, as compared to that before acquisition. The factory in Vietnam will be expanded in order to increase the production capacity and prepare for the possible transfer of production from factory in China and respective expansion will finish in the fourth quarter of 2019. In respect of products, the Group will keep innovation and improvement of quality in order to maintain its competitiveness in North American market.

In Europe and other overseas markets, the Group plans to achieve revenue growth by product restructuring, launching more products at good value, increase the selling price, and actively 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.

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 Review Period, the Group has benefited from a diversified market distribution and adjusted its sales strategy and product structure in a timely manner when faced with 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 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 6.6%, 9.0% and 7.8% in 2018, respectively and the total retail sales of the furniture category grew by 10.1% year-on-year in 2018. With the continuous increase in resident income, the Group will be benefited 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 April 2019, the Group maintained the leadership position in China reclining sofa market while market share rose from 44.8% in 2017 to 45.3% in 2018.

North America market

The US macroeconomic data shows the economy of US was improving in 2018. According to the report of the US Department of Commerce, the US real GDP grew by 3.1% year-on-year in 2018. According to data published by the US Department of Commerce, total new houses completed for private owners in the US per annum in 2018 increased by approximately 2.8% from 2017. At the same time, new home sales increased in 2018 by approximately 6.5% when compared with 2017. According to the market survey report published by Euromonitor International[1] in April 2019, the ranking of the Group becomes the second among the reclining sofa players in US while the share of the Group in the US reclining sofa market was 10.7% in calendar year 2018 (9.8% in calendar year 2017). 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.

Europe and other overseas markets

In European market, there were still a lot of challenges. The European economy's growth was subject to more uncertainties due to Brexit negotiations, terrorist attacks and so on. According to the Eurostat, the real GDP in the Eurozone was only 1.8% year-on-year in 2018.

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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BUSINESS REVIEW

During the Review Period, the Group continued to enhance its core competitiveness by improving its internal operational efficiency. Facing increased uncertainties in overseas market by vigorously developing the Chinese market, the Group still maintained a positive revenue growth. During the Review Period, the Group's revenue reached a new high. The analysis of revenue by different regions is as follows:

1 China market

In the China market, as at 31 March 2019, the Group had a total of 2,614 "CHEERS First-class Cabin" brand sofa and "CHEERS Five-star Mattress" brand stores, and Fleming stores in China. During the Review Period, the net increase in the number of "CHEERS First-class Cabin" and "CHEERS Five-star Mattress" brand retail stores was 215. During the Review Period, sales from the China market increase by approximately 13.3% compared with the Last Corresponding Period.

In addition to the focus on production and sales of sofas and bedding products, the Group also produced and sold chairs and other products to high-speed railways, chain cinemas and other business customers. Moreover, the Group also produced and sold some smart furniture spare parts and other products.

2 North America market

In the North American market, the overall market competition remained fierce. The Group obtained steady sales growth during the Review Period by adjusting the product mix timely, strengthening the sales team and introducing the rapid delivery plan. During the Review Period, revenue in the North America market increased by approximately 15.5% compared with the Last Corresponding Period.

During the Review Period, the Group participated in four furniture exhibitions and introduced a number of new sofa models to customers in those exhibitions.

3 Europe and other overseas markets

In Europe, the Group recorded increase in revenue during the Review Period despite the factors of the weak economic growth in the Europe and the Brexit. During the Review Period, excluding Home Group, the total sales of all products from Europe and other overseas markets increased by 8.6%. For sofas, sales in Europe and other overseas markets increased by approximately 2.6%, including sales of sofas in the Europe increased by approximately 6.0%. Sales of other products including smart furniture spare parts in Europe has increased by 42.3%.

During the Review Period, Home Group had 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, recording a decrease in revenue of 5.4% compared with the Last Corresponding Period. The main reason for the drop comes from the increased difficulties in hiring suitable workers for Ukraine factory because of the trend where part of the workforce in Ukraine is migrating to other more developed European countries.

RESEARCH AND DEVELOPMENT OF SMART FURNITURE PRODUCTS

During the Review Period, the Group also launched a series of new smart furniture products with innovative functions based on the changes in the market. At the same time, the Group continued to strengthen the development of core parts of smart furniture to further improve the proportion of self-produced parts, so as to effectively reduce the cost and improve the flexibility of product innovation.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2019	FY2018	Change (%)	**FY2019**	FY2018	**FY2019**	FY2018
Business of sofas and ancillary products	**8,615,513**	8,075,623	6.7%	**76.5%**	80.5%	**37.2%**	40.1%
Other products	**1,818,551**	1,079,994	68.4%	**16.2%**	10.8%	**23.4%**	27.0%
Home Group business	**823,728**	870,956	-5.4%	**7.3%**	8.7%	**24.9%**	24.6%
Total	**11,257,792**	10,026,573	12.3%	**100.0%**	100.0%	**34.1%**	37.3%

During FY2019, total revenue rose by approximately 12.3% to approximately HK$11,257,792,000 (FY2018: approximately HK$10,026,573,000). The overall gross profit margin decreased from approximately 37.3% to approximately 34.1% year-on-year. The main reason for decrease of the gross profit margin was due to the consolidation of Jiangsu Yulong business which was engaged in manufacturing of smart furniture spare parts and was acquired in January 2018. The gross profit margin of Jiangsu Yulong business is lower than that of the Group and consolidation of Jiangsu Yulong business has led to a decrease of gross profit margin of the Group. Moreover, the transfer from self-operating stores to franchisee stores also had negative effect on the gross profit ratio.

During FY2019, the cost of goods sold rose by approximately 18.1% from the Last Corresponding Period.

During the Review Period, excluding Home Group business, the Group produced approximately 1,226,000 sets of sofa products (FY2018: approximately 1,097,000 sets), representing an increase of approximately 11.8% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK$8,615,513,000, representing an increase of approximately 6.7% as compared with approximately HK$8,075,623,000 recorded in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$4,009,855,000, up by approximately 3.1% from approximately HK$3,890,398,000 in the Last Corresponding Period.

The increase in revenue was mainly attributable to the Group's increase of sales volume of sofas and ancillary products in China market during the Review Period. However, it is offset by the decrease of wholesale price due to more customers tending to purchase lower price products and the keen competition in market. On the other hand, the self-operating stores have been transferred to franchisees and this has also negative effect on the revenue.

1.2 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,964,227,000, grow by approximately 11.3% compared with approximately HK$3,560,328,000 from the Last Corresponding Period. Out of the said revenue from the North America during the Review Period, revenue from the US reached approximately HK$3,692,595,000, grow by approximately 12.6% compared with approximately HK$3,278,245,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$258,111,000, decreased by approximately 4.7% compared with approximately HK$270,823,000 from the Last Corresponding Period.

1.3 Europe and other overseas markets

During the Review Period, revenue of sofas and ancillary products from Europe and other overseas markets was approximately HK$641,431,000, up by approximately 2.6% compared with approximately HK$624,897,000 from the Last Corresponding Period. Out of the said revenue from Europe and other overseas markets during the Review Period, revenue from Europe was approximately HK$318,925,000, up by approximately 6.0% compared with approximately HK$300,973,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$322,506,000, down by approximately 0.4% compared with approximately HK$323,924,000 from the Last Corresponding Period.

2 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$1,818,551,000, representing an increase of approximately 68.4% as compared with approximately HK$1,079,994,000 in the Last Corresponding Period.

2.1 Revenue from bedding stores reached approximately HK$530,880,000, up by approximately 11.7% compared with approximately HK$475,342,000 in the Last Corresponding Period.

2.2 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$54,790,000, down by approximately 33.0% from approximately HK$81,818,000 in the Last Corresponding Period.

2.3 Revenue from smart furniture parts reached approximately HK$1,232,881,000 (including approximately HK$893,098,000 from China market, approximately HK$184,085,000 from North America market, approximately HK$155,698,000 from Europe and other overseas market), up by approximately 135.8% from approximately HK$522,834,000 (including approximately HK$383,522,000 from China market, approximately HK$29,922,000 from North America market, approximately HK$109,390,000 from Europe and other overseas market) in the Last Corresponding Period.

3 The Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK$823,728,000, down by approximately 5.4% compared with approximately HK$870,956,000 in the Last Corresponding Period.

Cost of goods sold

Cost of goods sold breakdown

	FY2019 HK$'000	FY2018 HK$'000	Change (%)
Cost of raw materials	**5,967,818**	5,139,966	16.1%
Labour costs	**1,100,730**	911,225	20.8%
Manufacturing overhead	**352,146**	232,442	51.5%
Total	**7,420,694**	6,283,633	18.1%

Major raw materials	**Average unit cost year-on-year change (%)**
Leather	**-1.2%**
Metal	**+3.5%**
Wood	**+2.0%**
Fabric	**-3.9%**
Chemicals	**+6.1%**
Packaging paper	**-0.6%**

Other income

During FY2019, other income of the Group increased by approximately 15.6% to approximately HK$421,424,000 (FY2018: approximately HK$364,630,000). The increase was mainly due to the increase in the Government subsidies and income on structured deposits.

	FY2019 HK$'000	FY2018 HK$'000	Change (%)
Income from sale of industrial waste*	**138,221**	68,540	101.7%
Government subsidies**	**171,812**	216,211	-20.5%
Income on structured deposits***	**10,238**	19,741	-48.1%
Interest income	**53,204**	31,338	69.8%
Others	**47,949**	28,800	66.5%
Total	**421,424**	364,630	15.6%

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 1.2% of total income (sale of industrial waste accounted for approximately 0.7% 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 FY2019, other gains and losses of the Group amounted to losses of approximately HK$102,596,000 (the Last Corresponding Period: losses of approximately HK$26,168,000). The aforesaid other losses in the Review Period mainly come from the loss from fair value change of financial assets at fair value through profit or loss.

For the holding for trading investments one of the bonds issuer recently have the event of Default Payment; in which the Group holds US$20,000,000 (equal to approximately HK$157,000,000) of bond. The Group is taking legal actions towards the bond issuer and US$7,368,000 (equal to approximately HK$58,353,000) of loss from fair value change of that investment are recorded during the Review Period,

Selling and distribution expenses

Selling and distribution expenses increased by approximately 6.7% from approximately HK$1,693,223,000 in FY2018 to approximately HK$1,806,183,000 in FY2019. Selling and distribution expenses as a percentage of revenue decreased from approximately 16.9% in FY2018 to approximately 16.0% in FY2019. The decrease was mainly attributable to the following:

(a) Overseas transportation and port fees decreased by approximately 2.3% from approximately HK$611,452,000 to approximately HK$597,471,000. Overseas transportation and port fees as a percentage of revenue decreased from approximately 6.1% in last year to approximately 5.3%; domestic transportation expenses increased by approximately 19.9% from approximately HK$203,015,000 to approximately HK$243,510,000. Domestic transportation expenses as a percentage of revenue of approximately 2.0% in last year to approximately 2.2%;

(b) Advertising, promotion and brand building expenses decreased by approximately 8.3% from approximately HK$230,469,000 to approximately HK$211,430,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 2.3% to approximately 1.9%;

(c) Salaries, welfare and commissions of sales staff decreased by approximately 3.9% from approximately HK$295,420,000 to approximately HK$283,923,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.9% to approximately 2.5%; and

(d) Custom duty has been imported on the goods exported to U.S. amounted to approximately HK$99,480,000 which constituted as a percentage of revenue of approximately 0.9%.

Administrative and other expenses

Administrative and other expenses increased by approximately 24.5% from approximately HK$442,052,000 in FY2018 to approximately HK$550,242,000 in FY2019. As a percentage of revenue, administrative and other expenses were approximately 4.9% (FY2018: approximately 4.4%).

Income tax expense

Income tax expense decreased by approximately 15.5% from approximately HK$368,639,000 in FY2018 to approximately HK$311,351,000 in FY2019. The proportion of income tax expense to profit before tax decreased from approximately 19.2% in FY2018 to approximately 18.1% in FY2019.

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company decreased by approximately 11.2% from approximately HK$1,535,908,000 in FY2018 to approximately HK$1,363,801,000 in FY2019. The net profit margin of the Group decrease from approximately 15.3% in FY2018 to approximately 12.1% in FY2019. The decrease in profit attributable to owners of the Company and net profit margin was mainly due to decrease of the gross profit margin from approximately 37.3% in FY2018 to approximately 34.1% in FY2019.

Dividends

The Board has proposed a final dividend of HK6.0 cents per share for the FY2019. During the FY2019, the Board has already declared and paid an interim dividend of HK6.0 cents per share. Total dividends declared for FY2019 accounted for approximately 33.7% of the profit attributable to owners of the Company.

Working capital

As at 31 March 2019, the Group's bank balances and cash were approximately HK$1,438,339,000.

During FY 2019, the Group has large amount of capital expenditure including the expenditure on Vietnam factory acquired during the current year and the land in Shenzhen. Therefore, the Group has raised more bank borrowings for the capital expenditure. The Group has been committed to maintain the sound financial policy. 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 2019, the Group's short-term borrowings amounted to approximately HK$2,892,699,000 and long-term borrowings amounted to approximately HK$1,660,070,000. The Group's major bank borrowings denominated in HKD and RMB carry interest at fixed and variable rates. The fixed rates are ranging from 4.25% to 4.35% (2018: nil). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.43% to 3.40% (2018: 1.59% to 2.02%), or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited ("Best Lending Rate") plus 1% or ii) Euro Interbank Offered Rate plus a spread, ranging from 1.50% to 4.18% (2018: 1.94% to 4.17%). The weighted average effective interest rate of the above variable-rate and fixed-rate bank borrowings was 2.93% and 4.33%, respectively (2018: 1.88% and nil, respectively), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2019, the Group's current ratio was approximately 1.2 (31 March 2018: approximately 1.5). As at 31 March 2019, the Group's gearing ratio was approximately 73.2% (31 March 2018: approximately 22.5%), which is defined as total borrowings divided by total equity attributable to owners of the Group. The higher gearing ratio is mainly resulted from the larger amount of capital expenditure during the Review Period.

Allowance for inventories

For FY2019, the Group reversed impairment allowance for inventories of approximately HK$1,258,000 (FY2018: reversed impairment allowance of approximately HK$1,512,000).

Impairment loss on trade and other receivables

For FY2019, the Group provided impairment loss on trade and other receivables of approximately HK$738,000 (FY2018: approximately HK$635,000).

Pledge of assets

As at 31 March 2019, there was approximately HK$139,100,000 restricted bank balances. As of 31 March 2019, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant and equipment with book value of approximately HK$104,963,000 (FY2018: HK$122,310,000) and inventories with book value of approximately HK$15,890,000 (FY2018: HK$18,139,000).

Capital commitments and contingent liabilities

Save as disclosed in note 32, the Group did not have any material capital commitment as at 31 March 2019.

As at 31 March 2019, the Group did not have any material 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. As such, during the Review Period, the USD against RMB remained stable during the Review Period. In addition, 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. As at the date of this report, the Group has no hedging policy (such as using any financial instrument) with respect to foreign exchange exposure.

Significant investments and acquisitions

Acquisition of the group of Beyond Excel Holdings Limited ("Beyond Excel")

On 12 June 2018, the equity transfer agreement in relation to the acquisition of a controlling stake in Beyond Excel was signed. The Group acquired 100% equity interest in Beyond Excel at USD68 million (equivalent to approximately HK$534 million). Beyond Excel and its subsidiary, Timberland Company Limited, are principally engaged in the production and sales of sofas in Vietnam, and exportation to overseas market.

The accounts of Beyond Excel have been consolidated into the consolidated financial statements of the Group since 15 June 2018.

Development of a Piece of Land in Qianhai, Shenzhen

Reference is made to the announcement of the Company dated 17 December 2018 relating to the acquisition of land in Qianhai, Shenzhen. According to the said announcement, the Group has acquired a piece of land in Qianhai, Shenzhen, PRC, through a direct wholly-owned subsidiary of the Company, for RMB1.338 billion (equivalent to approximately HK$1.515 billion).

The original development plan of the land included developing for commercial purposes. The term of land use rights is 40 years.

Except for the 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 2019, the Group had 19,179 employees (31 March 2018: 15,985 employees). The increase of number of employees are mainly resulted from the commencement of operation of Chongqing factory and acquisition of Vietnam factory during the Review Period.

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. With increasing the standardization and automation level of the production process and improving the operation management process, the Group also increased the number of employees while maintaining the steady revenue growth momentum during the Review Period.

During FY2019, the total staff cost for the Group amounted to approximately HK$1,627,415,000 (FY2018: approximately HK$1,414,217,000), of which approximately HK$15,994,000 (FY2018: approximately HK$16,305,000) 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 2019 ("FY 2019", 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. The Group has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), and other relevant environmental protection laws and regulations.

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 Group has adopted a series of effective measures. In respect of the uncontrolled exhaust gas, waste water and noise arising from operation, the Group has complied with all the national standards such as the Integrated Emission Standard of Air Pollutants (大氣污染綜合排放標準), the Integrated Wastewater Discharge Standard (污水綜合排放標準) and the Emission Standard for Industrial Enterprises Noise at Boundary (工廠企業廠界環境噪聲排放標準) and did not exert material impacts on the environment.

In terms of waste water treatment, the Group has self-constructed domestic sewage treatment systems in the main factories in China. From February 2018, all the wastewater discharged by the Group has been processed by a localized public wastewater treatment plant throughout the Current FY. In the prior FY, around 200,000 tons of domestic sewage has been treated by the Group. All treated up to standard domestic sewage has been recycled and reused, saving approximately 64,922 tons of water in Last Corresponding Period.

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)

No substantial direct emission of greenhouse gas is generated from the Group's business activities. Greenhouse gases emissions associated with electricity purchase was approximately 34,253 tonnes (CO_2 equivalent emissions) (2018: 34,069 tonnes) during the Current FY. Indirect emissions other than electricity were minimal.

Greenhouse gases emission	**2019**	2018
Total Greenhouse gases emission (tonnes)	**44,442**	28,550
Total Greenhouse gases emission per employee (tonnes per employee)	**2.87**	1.79
Direct emissions (tonnes)	**–**	–
Indirect emissions (tonnes)	**44,442**	28,550
Quantity of purchased Electricity ('000 KWh)	**45,041**	39,110
Emission factor (kg/kWh)	**0.99**	0.73

The Group does not generate much waste paper and household garbage during its operation, all of which will be collected and disposed by cleaning personnel and afterwards, will be processed by the Local Sanitation Bureau. Such arrangement will not cause material impact on the environment. The solid wastes such as leftover woods, fabrics and leather, etc. will be recycled and reused by the Group in order to save material consumption costs and enhance the resources efficiency. The Group does not generate major hazardous emissions or waste in its operation. As such, data on emission and waste generated from hazardous emission has not collected. The quantity of non-hazardous waste of the Group representing leftover woods fabrics and leather for the Reporting Period is approximately 43,882 tonnes (2018: 32,133 tonnes) and the said waste did not exert any significant impact on the environment.

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)

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.

We monitor our water consumption continuously and implement water saving measures at all our outlets. There were no issues with the water supply as the water sources are directly supplied from the respective government agencies.

During FY2019, total electricity consumption of the Group's sofa production bases in China was approximately 60,880,000 kWh, an increase of approximately 40.3% as compared to the Last Corresponding Period. Total water consumption was about 844,969 tons, increased by approximately 4.5% as compared to the Last Corresponding Period about 808,300 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 Current FY, the major energy consumption of the Group is as follows.

Energy Consumption	Unit	**Total Consumption in 2019**	Total Consumption in 2018
Total electricity consumption (excluding the solar power panels)	'000 KWh	**45,041**	39,110
Electricity consumption per capita	'000 Kwh/ per person	**3.93**	2.72
Consumption of non-renewable fuels	L	**865,832**	313,732
Consumption per capita	L/per person	**55.88**	19.63
Total water consumption	m^3	**844,969**	808,300
Water consumption per capita	m^3/per person	**54.54**	50.57

The Group mainly uses paper boxes, plastic bags and sponge scraps as packaging materials for its products. The amount of various types of packaging materials used in Current FY was approximately 22,063 tons (2018: 19,741 tons) in total and approximately 18 kg (2018: 18 kg) packaging materials were used per set of sofa. The Group used the packaging materials reasonably and effectively to minimize its impact on the environment.

1.3 Environment and Natural Resources

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.

In the factories in China, a solar photovoltaic system at the rooftops was used. During the Review Period, the three production bases of the Group generated power capacity of approximately 15,839,000 kWh from photovoltaic systems, representing approximately 35.2% of the total electricity consumption of sofa production bases as compared to the Last Corresponding Period of 42.1%.

In addition, the Group proactively implemented the paperless office policy, thereby minimizing the adverse impacts of its operation on the environment.

2. OPERATING PRACTICES

The Group's sofa brand "Cheers First-class Cabin" 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 FY2019, 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 FY2019, there was no material breach or non-compliance with the applicable laws and regulations on prevention of bribery, extortion, fraud and money laundering such as Criminal Law of the People's Republic of China, the Law of the People's Republic of China for Countering Unfair Competition, the Company Law of the People's Republic of China, and the Interim Provisions on Probation of Commercial Bribery issued by the State Administration of Industry and Commerce, 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 Labor Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, Vietnamese Labour Law and other relevant regional employment laws and regulations, 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 strictly abided by the Work Safety Law of the People's Republic of China, Safety Production License Regulations of the People's Republic of China, Enterprise Safety Production License Management Regulations of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the relevant laws and regulations on safe production of the furnitures of operation, and 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 FY2019, the number of lost working days due to work-related injuries fell by approximately 2% as compared with FY2018.

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations stated above 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$7.22 million (Last Corresponding Period: approximately HK$13.75 million), details of which are as follows:

(1) For junior staff:

* offer training classes for production leaders, which have cultivated nearly 295 (341 in the Last Corresponding Period) outstanding team leaders during the Review Period, and have trained accumulatively more than 1,946 outstanding team leaders within the past five years;

* offer junior college academic classes, which have helped 67 employees (62 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 1,302 outstanding business representatives (1,727 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 2,013 franchisees and store managers during the Review Period (4,118 franchisees and store managers in the Last Corresponding Period);

* offer an EDP class and a mini MBA class in cooperation with the Research Institute of Tsinghua University. A total of 0 employees (64 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 one 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 Last Corresponding Period, the Company has sent 16 executives abroad to observe and study overseas furniture markets, and learn advanced management experiences whereas no executives are set during the Review Period.

(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 Mr. Wong Man Li, the Chairman of the Board and president of the Company, has currently awarded student grants (a total of approximately RMB4,078,000) to eight groups of applicants (270 employees in total) since its founding in May 2010. A total of approximately RMB551,000 has been granted to 36 employees during the Review Period.

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 14,719,200 share options to 591 officers at the manager level and above (Last Corresponding Period: the Company granted 5,926,000 share options to 527 officers at the manager level and above).

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 to 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$12,021,000 towards public welfare (Last Corresponding Period: approximately HK$21,331,000).

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 provision A.2.1 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.

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 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 5 July 2018, 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. Alan Marnie	1/1
Mr. Dai Quanfa	1/1
Ms. Wong Ying Ying	1/1
Mr. Tsang Hoi Lam	1/1
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	1/1
Mr. Ong Chor Wei	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan	1/1

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

Name of Director	**Reading materials regarding regulatory update and corporate governance matters**	**Attending seminars/in-house workshops relevant to the Company's business, Listing Rules compliance and risk management**
Executive Directors		
Mr. Wong Man Li	✓	✓
Ms. Hui Wai Hing	✓	✓
Mr. Alan Marnie	✓	✓
Mr. Dai Quanfa	✓	✓
Ms. Wong Ying Ying	✓	✓
Mr. Tsang Hoi Lam	✓	✓
Independent non-executive Directors		
Mr. Ong Chor Wei	✓	✓
Mr. Chau Shing Yim, David	✓	✓
Mr. Kan Chung Nin, Tony	✓	✓
Mr. Ding Yuan	✓	✓

BOARD OF DIRECTORS

As at 31 March 2019, 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. Alan Marnie	4/4
Mr. Dai Quanfa	4/4
Ms. Wong Ying Ying	4/4
Mr. Tsang Hoi Lam	4/4
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	3/4
Mr. Ong Chor Wei	4/4
Mr. Kan Chung Nin, Tony	4/4
Mr. Ding Yuan	3/4

Access to information

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

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

Appointments and re-election of Directors

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

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including the 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.

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 58 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 2019, the Audit Committee consisted of three INEDs, namely, Mr. Chau Shing Yim, David, 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:

Mr. Kan Chung Nin, Tony ("Mr. Kan"), an independent executive Director of the Company has been appointed as a member of the Audit Committee, since 28 May 2019.

Audit Committee	**Meetings attended/ Eligible to attend**
Mr. Chau Shing Yim, David *(Chairman)*	2/2
Mr. Ong Chor Wei	2/2
Mr. Ding Yuan	2/2
Mr. Kan Chung Nin, Tony (Appointed on 28 May 2019)	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 2019, 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. Tsang Hoi Lam. 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.

The Nomination Committee has adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. In evaluating and selecting a candidate for directorship, the Nomination Committee has to consider, among others, character and integrity, willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committees of the Company, diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and such other relevant factors that the Nomination Committee may consider appropriate.

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company aims to achieve that the Board has a balance of skills, experience and diversity of perspectives appropriate to meet the requirements of its business. Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefit of diversity on the Board including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Nomination Committee will give adequate consideration to these measureable objectives when making recommendations of candidates for appointment to the Board.

The Nomination Committee has designed measurable goals according to four major aspects (namely, the age, professional qualification, term of service and independence) for purposes of implementing the Board Diversity Policy and considered that these goals have been achieved satisfactorily during the year. The relevant goals will be reviewed from time to time so as to ensure its appropriateness and its progress for achieving such goals. The Nomination Committee will review the Board Diversity Policy from time to time (if appropriate) to ensure that such Policy continues to be effective. **OR** At present, the Nomination Committee has not set any measurable objectives to implement its Board Diversity Policy. However, it will consider and review the Board Diversity Policy and setting of any measurable objectives from time to time.

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. Chau Shing Yim, David	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ding Yuan	1/1
Mr. Tsang Hoi Lam	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 2019, 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. Tsang Hoi Lam. 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, one meeting of the Remuneration Committee was 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 29 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. Ding Yuan *(Chairman)*	1/1
Mr. Wong Man Li	1/1
Mr. Chau Shing Yim, David	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Tsang Hoi Lam	1/1

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 2019 with a term from 1 April 2019 until 31 March 2020.

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

Ms. Liu Xiaoting was the Company Secretary of the Company from 29 September 2017 to 27 May 2019. Ms. Liu Xiaoting reported to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. Ms. Liu Xiaoting has confirmed that she has taken no less than 15 hours of relevant professional training during the Review Period.

Mr. Tsang Hoi Lam has been appointed as the Company Secretary with effect from 28 May 2019.

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	2,600
Non-statutory audit services:	
Review of interim financial information	600
Others	437
	3,637

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. Advantages in cost control, design, quality and service are the core advantages of the Group, and if they cannot be maintained, the Group's market share in major markets may decrease.

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, overseas 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 are set out in note 38 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 60 of this annual report.

An interim dividend of HK 6.0 cents per Share amounting to approximately HK$229,385,000 were paid to the shareholders of the Company ("Shareholders") during the Review Period. The Directors recommend the payment of a final dividend of HK 6.0 cents per Share to the Shareholders on the register of members on Monday, 15 July 2019, amounting to approximately HK$229,398,000.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2019. 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$23,000.

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 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

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

	2019 **HK$'000**	2018 HK$'000
Contributed surplus	**92,144**	114,657
Retained earnings	**814,720**	99,172
	906,864	213,829

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

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

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

DIRECTORS

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

Executive Directors:
Mr. Wong Man Li *(Chairman)*
Ms. Hui Wai Hing
Mr. Alan Marnie
Mr. Dai Quanfa
Ms. Wong Ying Ying
Mr. Tsang Hoi Lam

Independent Non-executive Directors:
Mr. Chau Shing Yim, David
Mr. Ong Chor Wei
Mr. Kan Chung Nin, Tony
Mr. Ding Yuan

In accordance with bye-law 99 of the Company's bye-laws, Mr. Alan Marnie and Mr. Dai Quan Fa will retire by rotation. 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 Friday, 5 July 2019.

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 2019, 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 SFO, 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	2,468,336,800[2]	64.56%
	Spouse	2,427,200[2]	0.06%
	Beneficial owner	2,950,800[2]	0.08%
Ms. Hui Wai Hing	Beneficial owner	2,427,200[3]	0.06%
	Spouse	2,471,287,600[3]	64.64%
Mr. Alan Marnie	Beneficial owner	800,000[4]	0.02%
Mr. Dai Quanfa	Beneficial owner	2,058,000[5]	0.05%
Ms. Wong Ying Ying	Beneficial owner	2,137,600[6]	0.06%
Mr. Tsang Hoi Lam	Beneficial owner	484,400[7]	0.01%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,823,122,800 Shares issued as at 31 March 2019.

2. These 2,468,336,800 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 2,468,336,800 Shares held by Man Wah Investments Limited. Mr. Wong was a director of Man Wah Investments Limited. Mr. Wong also held 2,427,200 Shares and 523,600 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 2,950,800 Shares. Mr. Wong was also deemed, under Part XV of the SFO, to be interested in the 2,427,200 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, had a long position.

3. These 2,427,200 Shares represented the 1,956,000 Shares and the 471,200 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 2,427,200 Shares. Ms. Hui was also deemed, under Part XV of the SFO, to be interested in the 2,471,287,600 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui was interested (i.e. 2,950,800 Shares as beneficial owner and 2,468,336,800 Shares as interest in a controlled corporation).

4. This figure represents the aggregate number of 400,000 Shares held by Mr. Marnie and 400,000 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.

5. This figure represents the aggregate number of 745,600 Shares held by Mr. Dai and 1,312,400 Share Options granted to Mr. Dai under the Share Option Scheme. Upon exercise of the Share Options, Mr. Dai would own an aggregate of 2,058,000 Shares.

6. This figure represents the aggregate number of 1,821,600 Shares held by Ms. Wong and 316,000 Share Options granted to Ms. Wong under the Share Option Scheme. Upon exercise of the Share Options, Ms. Wong would own an aggregate of 2,137,600 Shares. Ms. Wong was also a director of Man Wah Investments Limited.

7. This figure represents the aggregate number of 484,400 Share options granted to Mr. Tsang Hoi Lam under the Share Option Scheme. Upon exercise of the Share Options, Mr. Tsang would own an aggregate of 484,400 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 2019, 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 2019 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 2019, 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	2,468,336,800	64.56%
東方證券股份有限公司	Interest in controlled corporation	226,617,559[2]	5.93%
上海東方證券資產管理有限公司	Beneficial owner	226,617,559[2]	5.93%

Note:

1. The percentage of the Company's issued share capital is based on the 3,823,122,800 Shares issued as at 31 March 2019.

2. These 226,617,559 Shares were beneficially owned by 上海東方證券資產管理有限公司 which, in turn, was 100% owned by 東方證券股份有限公司.

Save as disclosed above, as at 31 March 2019, 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 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 this report, the number of share options that could still be granted under the Share Option Scheme was 11,128,420 share options representing approximately 0.29% of the 3,823,122,800 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	Adjusted Exercise price	Outstanding at 1.4.2018	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 31.3.2019
Mr. Wong Man Li	13.1.2017	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A	74,000	–	–	–	74,000
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	74,000	–	–	–	74,000
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	73,200	–	–	–	73,200
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	40,400	–	–	–	40,400
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	40,400	–	–	–	40,400
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	40,400	–	–	–	40,400
										–
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	–	60,400	–	–	60,400
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	–	60,400	–	–	60,400
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	–	60,400	–	–	60,400
Ms. Hui Wai Hing	27.1.2016	27.1.2016–26.1.2019	27.1.2019–26.1.2021	8.92	4.46	171,200	–	–	–	171,200
	13.1.2017	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A	69,200	–	–	–	69,200
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	69,200	–	–	–	69,200
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	68,800	–	–	–	68,800
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	31,200	–	–	–	31,200
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	31,200	–	–	–	31,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	30,400	–	–	–	30,400
Mr. Alan Marnie	26.5.2016	26.5.2016–25.5.2018	26.5.2018–25.5.2020	10.46	5.23	400,000	–	–	–	400,000
										–
Mr. Dai Quanfa	10.2.2015	10.2.2015–9.2.2018	10.2.2018–9.2.2020	6.72	3.36	276,800	–	–	–	276,800
	26.1.2016	26.1.2016–25.1.2018	26.1.2018–25.1.2020	8.92	4.46	223,200	–	–	–	223,200
		26.1.2016–25.1.2019	26.1.2019–25.1.2021	8.92	4.46	222,400	–	–	–	222,400
	13.1.2017	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A	59,200	–	–	–	59,200
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	59,200	–	–	–	59,200
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	59,200	–	–	–	59,200
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	42,400	–	–	–	42,400
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	42,400	–	–	–	42,400
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	42,000	–	–	–	42,000
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	–	95,200	–	–	95,200
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	–	95,200	–	–	95,200
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	–	95,200	–	–	95,200

					Number of Share Options[1]					
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Adjusted Exercise price	Outstanding at 1.4.2018	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 31.3.2019
Ms. Wong Ying Ying	27.1.2016	27.1.2016–26.1.2019	27.1.2019–26.1.2021	8.92	4.46	80,800	–	–	–	80,800
	13.1.2017	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A	31,200	–	–	–	31,200
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	31,200	–	–	–	31,200
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	31,200	–	–	–	31,200
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	24,800	–	–	–	24,800
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	24,800	–	–	–	24,800
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	24,000	–	–	–	24,000
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	–	22,800	–	–	22,800
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	–	22,800	–	–	22,800
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	–	22,400	–	–	22,400
Mr. Tsang Hoi Lam	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	24,000	–	–	–	24,000
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	24,000	–	–		24,000
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	23,200	–	–	–	23,200
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	–	138,000	–	–	138,000
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	–	138,000	–	–	138,000
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	–	137,200	–	–	137,200
Other employees	1.2.2013	1.2.2013–31.1.2017	1.2.2017–31.1.2019	3.59	1.8	14,400	–	(6,400)	(8,000)	–
	22.1.2014	22.1.2014–21.1.2017	22.1.2017–21.1.2019	7.28	3.64	440,000	–	(270,400)	(169,600)	–
	10.2.2015	10.2.2015–9.2.2017	10.2.2017–9.2.2019	6.72	3.36	580,800	–	(31,200)	(549,600)	–
		10.2.2015–9.2.2018	10.2.2018–9.2.2020	6.72	3.36	3,474,400	–	(61,600)	(2,280,800)	1,132,000
	26.1.2016	26.1.2016–25.1.2018	26.1.2018–25.1.2020	8.92	4.46	4,408,400	–	(1,278,800)	(1,614,400)	1,515,200
		26.1.2016–25.1.2019	26.1.2019–25.1.2021	8.92	4.46	8,824,800	–	(1,708,000)	–	7,116,800
	26.5.2016	26.5.2016–25.5.2018	26.5.2018–3.3.2020	10.46	5.23	2,000,000	–	–	–	2,000,000
	13.1.2017	13.1.2017–12.1.2019	13.1.2019–12.1.2021	5.17	N/A	2,038,400	–	(371,200)	–	1,667,200
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	2,037,600	–	(371,200)	–	1,666,400
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	2,039,200	–	(369,600)	–	1,669,600
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	1,807,200	–	(408,400)	–	1,398,800
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	1,787,600	–	(400,400)	–	1,387,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	1,609,200	–	(361,600)	–	1,247,600
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	–	4,667,200	(213,600)	–	4,453,600
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	–	4,658,400	(213,600)	–	4,444,800
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	–	4,445,600	(206,000)	–	4,239,600
						33,621,600	14,719,200	(6,272,000)	(4,622,400)	37,446,400
exercisable options before 31 March 2019										15,039,200

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 Shares immediately before the date on which the Share Options were granted on (i) 1 February 2013, i.e. on 31 January 2013 was HK$3.57, (ii) 22 January 2014, i.e. on 21 January 2014 was HK$7.16, (iii) 10 February 2015, i.e. on 9 February 2015 was HK$6.41, (iv) 21 May 2015, i.e. on 20 May 2015 was HK$9.72, (v) 26 January 2016, i.e. on 25 January 2016 was HK$8.86, (vi) 27 January 2016, i.e. on 26 January 2016 was HK$8.56, (vii) 26 May 2016, i.e. on 25 May 2016 was HK$9.92, (viii)13 January 2017, i.e. on 12 January 2017 was HK$5.14, (ix) 12 February 2018, i.e on 11 February 2018 was HK$6.80 and (x) 28 January 2019 i.e. on 25 January 2019 was HK$3.79.

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$7.10.

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 2019, 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 2019.

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 34 to the consolidated financial statements. Such continuing connected transactions 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 connected party transaction(s) disclosed in note 34 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 2019 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.

None of the Directors of the Company had an interest in a business which competes with the Company or is likely to compete with the business of the Group.

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 14.01% and 16.96% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 3.87% of the total revenue for the year. The Group's largest supplier accounted for around 7.36% 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 33 to the consolidated financial statements.

DONATIONS

During the Review Period, the Group made charitable and other donations amounting to approximately HK$12,021,000 (FY2018: HK$21,331,000).

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 FY2019, the Company repurchased a total of 10,278,000 ordinary shares of the Company at an aggregate purchase price of approximately HK$43,348,865.8 (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	Price per ordinary share		Aggregate purchase price
		Highest	Lowest	
	('000)	(HK$)	(HK$)	(HK$'000)
October 2018	10,278	4.30	4.07	43,349
Total	10,278			43,349

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 5 July 2018, 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 48 to 51 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 the auditor of the Company.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the last interim report, the changes in the Director's information are as follows:

Mr. Tsang Hoi Lam is a director of certain subsidiary of the Group.

Ms. Wong Ying Ying is a director of certain subsidiaries. She has been appointed as the General Manager of the Group's International Marketing Center, which is responsible for the Group's export business, since December 2018.

Mr. Ong Chor Wei resigned as an non-executive Director of Prosperous Vico International Holdings Limited (Stock code: 1621), which is listed on the main board of the Stock Exchange in February 2019.

Mr. Kan Chung Nin, Tony has been appointed as a member of Audit Committee of the Company since 28 May 2019.

Mr. Ding Yuan served as 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) from March 2012 to November 2018.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51 B (1) of the Listing Rules.

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
21 May 2019

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 60 to 153, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' 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. This 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
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill allocated to a newly acquired business of Beyond Excel Holdings Limited and its wholly owned subsidiary ("Beyond Excel Group") (the "Beyond Excel Group Business") as a key audit matter due to the complexity and significant judgments involved in the assessment process of the management of the Group. As disclosed in note 16 to the consolidated financial statements, the carrying amount of goodwill as at 31 March 2019 was HK$158 million. Determining whether goodwill is impaired requires the management's estimation of the value in use of the cash generating units ("CGUs") to which the goodwill has been allocated. In estimating the value in use of the Beyond Excel Group Business as a group of CGUs, key assumptions used by the management included discount rate, growth rates, budgeted sales and gross margin and their related cash inflow and outflow patterns. The Beyond Excel Group Business as a group of CGUs containing goodwill did not suffer any impairment during the year ended 31 March 2019.	Our procedures in relation to the impairment assessment of goodwill included: • Evaluating the assumptions underpinning the discounted cash flow models, including growth rates, budgeted sales and gross margin through assessing the reasonableness of forecasted future cash flows by reference to the future business plan of the Beyond Excel Group as well as industry trend; • Involving our team of internal valuation experts to assess the discount rate applied underpinning the discounted cash flow models by performing re-calculations based on market data and certain company specific parameters, as well as evaluating the reasonableness of parameters applied by the management; • Evaluating the reasonableness of and reperforming the sensitivity analysis provided by the management of the Group to assess the extent of impact on the value in use; and • Evaluating the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current period on a sample basis and understanding the causes for the significant variances.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and bills receivables	
We identified impairment assessment of trade and bills receivables as a key audit matter due to the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade and bills receivables at the end of the reporting period. As at 31 March 2019, the Group's net trade and bills receivables amounting to approximately HK$1,310 million, which represented approximately 10% of total assets of the Group. As disclosed in note 3 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade and bills receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and past due status of respective trade and bills receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. As disclosed in note 36 to the consolidated financial statements, the Group recognized an additional amount of HK$738,000 of impairment of trade and bills receivables for the year and the Group's lifetime ECL on trade and bills receivables as at 31 March 2019 amounted to approximately HK$2,214,000.	Our procedures in relation to impairment assessment of trade and bills receivables included: • Understanding key controls on how the management estimates the loss allowance for trade and bills receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade and bills receivables ageing analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade and bills receivables as at 1 April 2018 and 31 March 2019, including their identification of credit impaired trade and bills receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing subsequent settlements of credit impaired trade and bills receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

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 ISAs 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 ISAs, 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.

- 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 Woo King Wa.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 May 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	NOTES	**2019 HK$'000**	2018 HK$'000
Revenue	5	**11,257,792**	10,026,573
Cost of goods sold		**(7,420,694)**	(6,283,633)
Gross profit		**3,837,098**	3,742,940
Other income		**421,424**	364,630
Other gains and losses	7	**(102,596)**	(26,168)
Selling and distribution expenses		**(1,806,183)**	(1,693,223)
Administrative and other expenses		**(550,242)**	(442,052)
Finance costs	9	**(79,345)**	(23,542)
Share of results of joint ventures		**(4,129)**	–
Profit before income tax		**1,716,027**	1,922,585
Income tax expense	8	**(311,351)**	(368,639)
Profit for the year	9	**1,404,676**	1,553,946
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		**(446,909)**	522,536
Item that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment and land lease premium transferred to investment properties, net of deferred tax		**8,373**	3,578
Total comprehensive income for the year		**966,140**	2,080,060
Profit for the year attributable to:			
Owners of the Company		**1,363,801**	1,535,908
Non-controlling interests		**40,875**	18,038
		1,404,676	1,553,946
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**966,559**	1,999,700
Non-controlling interests		**(419)**	80,360
		966,140	2,080,060
		2019 HK cents	2018 HK cents
Earnings per share	11		
Basic		**35.62**	40.22
Diluted		**35.60**	40.04

Consolidated Statement of Financial Position

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**3,798,748**	3,167,900
Investment properties	14	**485,110**	210,853
Lease premium for land	15	**2,429,180**	787,109
Goodwill	16	**525,904**	393,502
Other intangible assets	17	**222,033**	245,540
Interests in joint ventures	18	**30,859**	–
Deferred tax assets	19	**3,708**	3,590
Deposit paid for a land lease		**3,944**	4,225
Deposits paid for acquisition of property, plant and equipment		**70,986**	101,079
		7,570,472	4,913,798
Current assets			
Inventories	20	**1,413,563**	1,067,133
Properties under development	21	**433,471**	383,415
Trade and bills receivables	22	**1,309,685**	956,097
Other receivables and prepayments	22	**554,817**	397,030
Lease premium for land	15	**53,171**	18,326
Financial assets at fair value through profit or loss	23	**220,650**	–
Held for trading investments	23	**–**	311,754
Tax recoverable		**12,519**	7,924
Restricted bank balances	24	**139,100**	8,303
Bank balances and cash	24	**1,438,339**	1,406,959
		5,575,315	4,556,941
Current liabilities			
Trade and bills payables	25	**663,432**	753,902
Other payables and accruals	25	**455,651**	748,446
Receipt in advance from sales of properties under development	25	**–**	50,011
Contract liabilities	26	**567,740**	–
Bank borrowings – current portion	27	**2,892,699**	1,316,799
Tax payable		**58,379**	72,892
		4,637,901	2,942,050
Net current assets		**937,414**	1,614,891
Total assets less current liabilities		**8,507,886**	6,528,689

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank borrowings – non-current portion	27	**1,660,070**	23,909
Deferred tax liabilities	19	**130,086**	56,158
Other non-current liabilities		**1,667**	4,138
		1,791,823	84,205
		6,716,063	6,444,484
Capital and reserves			
Share capital	28	**1,529,249**	1,531,511
Reserves		**4,693,988**	4,431,706
Equity attributable to owners of the Company		**6,223,237**	5,963,217
Non-controlling interests	39	**492,826**	481,267
		6,716,063	6,444,484

The consolidated financial statements on pages 60 to 153 were approved and authorised for issue by the Board of Directors on 21 May 2019 and are signed on its behalf by:

WONG YING YING
DIRECTOR

TSANG HOI LAM
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Statutory reserve HK$'000 (Note iii)	Translation reserve HK$'000	Revaluation surplus HK$'000	Shares held under share award scheme HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 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	370,377	5,408,919
Profit for the year	–	–	–	–	–	–	–	–	–	1,535,908	1,535,908	18,038	1,553,946
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	460,214	–	–	–	–	460,214	62,322	522,536
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–	–	3,578	–	–	–	3,578	–	3,578
Total comprehensive income for the year	–	–	–	–	–	460,214	3,578	–	–	1,535,908	1,999,700	80,360	2,080,060
Repurchase of shares	(9,932)	(158,525)	–	–	–	–	–	–	–	–	(168,457)	–	(168,457)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	8,734	–	8,734	–	8,734
Issue of shares upon exercise of share options	11,187	99,720	–	–	–	–	–	–	(9,811)	–	101,096	–	101,096
Acquisition of additional interest in subsidiaries from non-controlling equity holders	–	–	–	12,442	–	–	–	–	–	–	12,442	(12,442)	–
Acquisition of subsidiaries (note 30)	–	–	–	–	–	–	–	–	–	–	–	25,144	25,144
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	17,828	17,828
Transfer to PRC statutory reserves	–	–	–	–	96,205	–	–	–	–	(96,205)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	(1,028,840)	(1,028,840)	–	(1,028,840)
At 31 March 2018	1,531,511	92,551	(16,132)	(12,152)	407,323	93,353	28,726	(448)	13,223	3,825,262	5,963,217	481,267	6,444,484
Profit for the year	–	–	–	–	–	–	–	–	–	1,363,801	1,363,801	40,875	1,404,676
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	(405,615)	–	–	–	–	(405,615)	(41,294)	(446,909)
Increase in fair value of property, plant and equipment, net of deferred tax	–	–	–	–	–		8,373	–	–	–	8,373	–	8,373
Total comprehensive income (expense) for the year	–	–	–	–	–	(405,615)	8,373	–	–	1,363,801	966,559	(419)	966,140
Repurchase of shares	(4,111)	(39,395)	–	–	–	–	–	–	–	–	(43,506)	–	(43,506)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	8,629	–	8,629	–	8,629
Issue of shares upon exercise of share options	1,849	16,883	–	–	–	–	–	–	(1,390)	–	17,342	–	17,342
Acquisition of additional interest in subsidiaries from non-controlling equity holders	–	–	–	341	–	33	–	–	–	–	374	(374)	–
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	12,352	12,352
Transfer to PRC statutory reserves	–	–	–	–	130,268	–	–	–	–	(130,268)	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	(689,378)	(689,378)	–	(689,378)
At 31 March 2019	1,529,249	70,039	(16,132)	(11,811)	537,591	(312,229)	37,099	(448)	20,462	4,369,417	6,223,237	492,826	6,716,063

Notes:

(i) Special reserve arose from the acquisition of equity interest of certain subsidiaries through a corporate reorganisation. It represents the difference between the nominal value of share capital of those subsidiaries at the date of acquisition and the nominal value of the shares issued by the Company as consideration for the acquisition.

(ii) Other reserve arose from the acquisition of the additional equity interest of subsidiaries. It represents the difference between the carrying amount of the net assets of the subsidiaries attributable to the additional interest at the dates of acquisition and the fair value of consideration paid by the Company.

(iii) The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the Mainland of People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**1,716,027**	1,922,585
Adjustments for:		
Amortisation of other intangible assets	**31,786**	24,584
Depreciation of properties, plant and equipment	**225,202**	175,828
Equity-settled share-based payments expense	**8,629**	8,734
Fair value loss on financial assets at fair value through profit or loss/held for trading investments	**91,104**	8,747
Fair value gain on investment properties	**(23)**	(4,456)
Finance costs	**79,345**	23,542
Reversal of allowance for inventories	**(1,258)**	(1,512)
Allowance for trade receivables	**738**	635
Interest income	**(53,204)**	(31,338)
Income on structured deposits	**(10,238)**	(19,741)
Loss on disposal of property, plant and equipment	**1,788**	2,123
Release of lease premium for land	**30,482**	14,106
Share of results of joint ventures	**4,129**	–
Operating cash flows before movements in working capital	**2,124,507**	2,123,837
Increase in inventories	**(344,691)**	(300,407)
Increase in trade and bills receivables	**(296,831)**	(385,056)
Increase in other receivables and prepayments	**(173,005)**	(182,403)
(Decrease) increase in trade and bills payables	**(54,176)**	362,416
(Decrease) increase in other payables and accruals	**(94,833)**	155,964
Increase in contract liabilities/receipt in advance from sales of properties under development	**319,767**	50,011
Decrease in other non-current liabilities	**(2,471)**	(3,199)
Cash generated from operations	**1,478,267**	1,821,163
Interest paid	**(79,345)**	(23,542)
Interest received	**53,204**	31,338
Income tax paid, net	**(323,053)**	(367,235)
NET CASH FROM OPERATING ACTIVITIES	**1,129,073**	1,461,724

	NOTE	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Investment in structured deposits		**(7,530,346)**	(13,301,034)
Investment on held for trading investment		**–**	(250,047)
Payment for acquisition of property, plant and equipment		**(1,055,061)**	(724,706)
Construction of properties under development		**(75,632)**	(81,579)
Payment of lease premium for land		**(1,616,648)**	(235,551)
(Placement) withdrawal of restricted bank balances		**(122,728)**	1,954
Purchase of other intangible assets		**(28,585)**	(778)
Proceeds on disposal of structured deposits		**7,540,584**	13,320,775
Proceeds from disposal of held for trading investment		**–**	300,128
Proceeds from disposal of property, plant and equipment		**18,175**	7,260
Acquisition of subsidiaries	30	**(533,862)**	(137,845)
Acquisition of joint ventures		**(34,103)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(3,438,206)**	(1,101,423)
FINANCING ACTIVITIES			
Dividends paid		**(689,378)**	(1,028,840)
Repurchase of shares		**(43,506)**	(168,457)
Repayment of borrowings		**(61,161)**	(699,897)
New borrowings raised		**3,274,572**	953,121
Proceeds from issue of shares upon exercise of share options		**17,342**	101,096
Capital contribution by non-controlling equity holders of subsidiaries		**12,352**	17,828
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**2,510,221**	(825,149)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**201,088**	(464,848)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,406,959**	1,808,298
Effect of foreign exchange rate changes		**(169,708)**	63,509
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,438,339**	1,406,959

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, the directors of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

2.1 IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from manufacture and distribution of sofas and ancillary products, chairs and others products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 4 and 3 respectively.

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under IFRS 15 at 1 April 2018**
	HK$'000	HK$'000	HK$'000
Current liabilities			
Other payables and accruals	748,446	(197,962)	550,484
Receipt in advance from sales of properties under development	50,011	(50,011)	–
Contract liabilities	–	247,973	247,973

As at 1 April 2018, receipt in advance from sales of properties under development and sale of sofas of HK$50,011,000 and HK$197,962,000 previously included in receipt in advance from sales of properties under development and other payables and accruals, respectively, were reclassified to contract liabilities.

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

2.1 IFRS 15 *Revenue from Contracts with Customers* – continued

Summary of effects arising from initial application of IFRS 15 – continued

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustment HK$'000	Amounts without application of IFRS 15 HK$'000
Current liabilities			
Other payables and accruals	455,651	148,825	604,476
Receipt in advance from sales of properties under development	–	418,915	418,915
Contract liabilities	567,740	(567,740)	–

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustment HK$'000	Amounts without application of IFRS 15 HK$'000
Operating activities			
Decrease in other payables and accruals	(94,833)	(49,137)	(143,970)
Increase in receipt in advance from sales of properties under development	–	368,904	368,904
Increase in contract liabilities	319,767	(319,767)	–

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

2.2 IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 April 2018.

	Held for trading investments HK$'000	**Financial assets at fair value through profit or loss ("FVTPL") required by IFRS 9** HK$'000
Closing balance at 31 March 2018 – IAS 39	311,754	–
Effect arising from initial application of IFRS 9:		
Reclassification	(311,754)	311,754
Opening balance at 1 April 2018	–	311,754

The Group has reassessed its investments in equity securities classified as held for trading under IAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$311,754,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

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

2.2 IFRS 9 *Financial Instruments* – continued

Summary of effects arising from initial application of IFRS 9 – continued

There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

Impairment under ECL model

IFRS 9 replaces the "incurred loss" model in IAS 39 with an ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under the "incurred loss" model in IAS 39.

The application of IFRS 9 has had no significant impact on impairment under ECL model for financial assets of the Group.

2.3 Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

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

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 (Audited) HK$'000	**IFRS 15** HK$'000	**IFRS 9** HK$'000	**1 April 2018 (Restated)** HK$'000
Current Assets				
Held-for-trading investments	311,754	–	(311,754)	–
Financial assets at FVTPL	–	–	311,754	311,754
Current Liabilities				
Other payables and accruals	748,446	(197,962)	–	550,484
Receipt in advance from sales of properties under development	50,011	(50,011)	–	–
Contract liabilities	–	247,973	–	247,973

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

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

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* ("IAS 17") and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for own use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

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

IFRS 16 *Leases* – continued

Under IAS 17, the Group has already recognised land use rights for leasehold land where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$30,086,000 as disclosed in Note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$5,104,000 and refundable rental deposits received of HK$11,564,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments of refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of other new and amendments to IFRSs and interpretation will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's 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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 IFRS 9/IAS 39 or, 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 equity 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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 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. 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill – continued

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 group of 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 cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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. 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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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.

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.

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Properties under development

When the leasehold land and buildings are in the course of development for sale, the leasehold land component is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for sale are shown as current assets and carried at the lower of cost and net realisable value.

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 effect of any changes in estimate being accounted for on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

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).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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.

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 relevant 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.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 (or a CGU) 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. 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 to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets
Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) – continued

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.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and bills receivables, other receivables, restricted bank balances and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) – continued

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) – continued

(i) Significant increase in credit risk – continued

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) – continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and bills receivables and other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables measured at amortised cost where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

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.

A financial asset other than a financial asset held for may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 the other gains and losses. Fair value is determined in the manner described in note 36.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) – continued

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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.

For all financial assets, objective evidence of impairment could include:

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

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 ranging 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) – continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills 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 and bills 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.

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

Derecognition of financial assets

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

Derecognition of financial liabilities

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

Share-based payments

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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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 29), 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 held under 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

Leasehold land and building

When the Group makes payments for a property interests which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue recognition (prior to 1 April 2018)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition (prior to 1 April 2018) – continued

Revenue from sale of properties in the ordinary course of business is recognised upon delivery of the properties to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposit received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss and other comprehensive income because 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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.

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 to economic benefits embodied in the properties will be recovered).

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

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), 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.

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.

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.

Critical judgments in applying accounting policies

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

Recognition of deferred taxation

At 31 March 2019, the Group provided for deferred tax liabilities of approximately HK$31,102,100 (2018: HK$27,868,000) 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.

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

Critical judgments in applying accounting policies – continued

Recognition of deferred taxation – continued

No deferred tax assets have been recognised in respect of the unused tax losses of approximately HK$244,464,000 (2018: HK$203,677,000) 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.

Control over investees accounted for as subsidiaries

Certain entities are considered to be subsidiaries of the Company despite the interest 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 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, those entities are accounted for as subsidiaries of the Company.

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.

Provision of ECL for on trade and bills receivables

The Group uses provision matrix to calculate ECL for the trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and bills receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in note 22.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, a suitable discount rate, growth rates, budgeted sales and gross margin in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 March 2019, the carrying amount of goodwill is HK$525,904,000 (31 March 2018: HK$393,502,000). Details of the recoverable amount calculation are disclosed in note 16.

5. REVENUE

A. For the year ended 31 March 2019

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2019		
Segments	**Sofa and ancillary products HK$'000**	**Other products HK$'000**	**Home Group business HK$'000**
Types of goods or service			
Manufacture and distribution of goods recognised at a point in time			
Sofa and ancillary products	**8,615,513**	**–**	**823,728**
Chairs, mattresses, smart furniture spare parts	**–**	**530,880**	**–**
Metal mechanism for recliners	**–**	**1,232,881**	**–**
Other products to commercial clients	**–**	**54,790**	**–**
Total	**8,615,513**	**1,818,551**	**823,728**
Geographical markets			
North America	**3,964,227**	**184,085**	**–**
PRC (including Hong Kong)	**4,009,855**	**1,478,768**	**–**
Europe	**318,925**	**68,337**	**823,728**
Others	**322,506**	**87,361**	**–**
Total	**8,615,513**	**1,818,551**	**823,728**

(ii) Performance obligations for contracts with customers

Manufacture and distribution of sofa and ancillary products and other products (revenue recognised at one point in time)

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). The normal credit term is 30 to 90 days upon delivery except for state-owned enterprises which are allowed for a credit period of 180 days.

Under the Group's standard contract terms, customers have a right to exchange for defective products within 7 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

5. REVENUE – continued

A. For the year ended 31 March 2019 – continued

(ii) Performance obligations for contracts with customers – continued

Manufacture and distribution of sofa and ancillary products and other products (revenue recognised at one point in time) – continued

Sales-related warranties associated with home appliances and business equipment serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All the revenue from contracts with customers are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 March 2018

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts, sales taxes and returns.

6. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's performance regarding different products and different markets, are as follows:

Sofa and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners etc.
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

The sofa and ancillary products 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.

6. SEGMENT INFORMATION – continued

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade and bills 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 represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange loss, fair value gain on investment properties, loss from change in fair value of financial assets at FVTPL/holding for trading investments, share of results of joint ventures, government subsidies, finance costs, central administrative costs and directors' emoluments. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment revenues and results

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

For the year ended 31 March 2019

	Sofa and ancillary products HK$'000	Other products HK$'000	Home Group business HK$'000	Total HK$'000
REVENUE				
External sales	8,615,513	1,818,551	823,728	11,257,792
RESULTS				
Segment results	1,776,254	361,120	17,010	2,154,384
Interest income				53,177
Income on structured deposits				10,238
Rental income				10,683
Share of results of joint ventures				(4,129)
Exchange loss – net				(6,854)
Government subsidies				171,812
Fair value gain on investment properties				23
Loss from change in fair value of financial assets at FVTPL				(91,104)
Finance cost				(74,382)
Central administrative costs and directors' emoluments				(507,821)
Profit before income tax				1,716,027

6. SEGMENT INFORMATION – continued

Segment revenues and results – continued

For the year ended 31 March 2018

	Sofa and ancillary products HK$'000	Other products HK$'000	Home Group business HK$'000	Total HK$'000
REVENUE				
External sales	8,075,623	1,079,994	870,956	10,026,573
RESULTS				
Segment results	1,873,033	236,408	15,933	2,125,374
Interest income				31,311
Income on structured deposits				19,741
Rental income				6,200
Exchange loss – net				(21,527)
Government subsidies				216,211
Fair value gain on investment properties				4,456
Loss from change in fair value of held for trading investments				(8,747)
Finance costs				(16,992)
Central administrative costs and directors' emoluments				(433,442)
Profit before income tax				1,922,585

6. SEGMENT INFORMATION – continued

Other information

	Sofa and ancillary products HK$'000	**Other products HK$'000**	**Home Group business HK$'000**	**Total HK$'000**
Amounts included in the measure of segment result:				
For the year ended 31 March 2019				
Loss (gain) on disposal of property, plant and equipment	**1,674**	**196**	**(82)**	**1,788**
Depreciation and amortisation	**176,085**	**45,377**	**35,526**	**256,988**
Release of lease premium for land	**30,482**	**–**	**–**	**30,482**
(Reversal of) allowance for trade and bills receivables	**(84)**	**–**	**822**	**738**
(Reversal of) allowance for inventories	**(1,802)**	**–**	**544**	**(1,258)**

	Sofa and ancillary products HK$'000	Other products HK$'000	Home Group business HK$'000	Total HK$'000
For the year ended 31 March 2018				
Loss (gain) on disposal of property, plant and equipment	2,144	162	(183)	2,123
Depreciation and amortisation	157,767	8,142	34,503	200,412
Release of lease premium for land	14,106	–	–	14,106
Allowance for trade and bills receivables	14	–	621	635
(Reversal of) allowance for inventories	(938)	438	(1,012)	(1,512)

6. SEGMENT INFORMATION – continued

Geographical information

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

	2019 HK$'000	2018 HK$'000
PRC (including Hong Kong)	**5,488,621**	4,831,080
North America	**4,148,312**	3,590,250
Europe	**1,210,992**	1,212,876
Others	**409,867**	392,367
	11,257,792	10,026,573

Note: Others included mainly Australia, United Arab Emirates, Israel and Indonesia. Home Group business is included in Europe. 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:

	2019 HK$'000	2018 HK$'000
PRC (including Hong Kong and Macau)	**6,119,002**	4,348,397
Europe	**601,885**	557,666
Vietnam	**841,259**	–
Others	**4,618**	4,145
	7,566,764	4,910,208

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2018: none).

7. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Exchange loss – net	**(8,706)**	(19,119)
Fair value gain on investment properties	**23**	4,456
Loss on disposal of property, plant and equipment	**(1,788)**	(2,123)
Allowance for trade and bills receivables	**(738)**	(635)
Loss from changes in fair value of financial assets at FVTPL/held for trading investments	**(91,104)**	(8,747)
Others	**(283)**	–
	(102,596)	(26,168)

8. INCOME TAX EXPENSE

	2019 **HK$'000**	2018 HK$'000
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**269,123**	284,536
PRC Withholding Income Tax	**37,920**	70,328
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,186**	1,776
Others	**1,585**	1,408
	309,814	358,048
(Over)underprovision in prior years:		
PRC EIT	**(2,059)**	4,647
U.S. CIT	**305**	225
Others	**(204)**	–
	(1,958)	4,872
Deferred tax (note 19)	**3,495**	5,719
	311,351	368,639

The assessable profit under Hong Kong Profits Tax for the current year has been wholly absorbed by the tax losses brought forward.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, obtaining the approval to enjoy the preferential tax rate of 15%.

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.

The U.S. CIT charge comprises federal income tax calculated at 21% (2018: 34%) and state income tax calculated from 0% to 9.00% (2018: 0% to 9.00%) 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.

8. INCOME TAX EXPENSE – continued

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

	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**1,716,027**	1,922,585
Tax at the PRC EIT rate of 25% (2018: 25%)	**429,007**	480,646
Tax effect of share result of joint ventures	**1,032**	–
Tax effect of expenses not deductible in determining taxable profit	**18,603**	13,152
Tax effect of income not taxable in determining taxable profit	**(5,956)**	(5,202)
(Over)underprovision in prior years	**(1,958)**	4,872
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(133,952)**	(166,505)
Tax effect of tax losses not recognised	**15,131**	13,436
Utilisation of tax losses previously not recognised	**(6,199)**	(29)
PRC Withholding Income Tax	**41,812**	75,541
Tax effect of profit of a subsidiary under tax exemption	**(46,169)**	(47,272)
Tax charge for the year	**311,351**	368,639

9. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 10)	**15,994**	16,305
Other staff costs		
Salaries and other allowances, including share option expenses	**1,559,914**	1,349,530
Retirement benefit scheme contributions, excluding those of directors	**51,507**	48,382
Total staff costs	**1,627,415**	1,414,217
Auditor's remuneration (including non-audit services)	**3,637**	5,377
Release of lease premium for land	**30,482**	14,106
Amortisation of intangible assets (recognised in selling and distribution expenses)	**31,786**	24,584
Depreciation of property, plant and equipment	**225,202**	175,828
Cost of inventories recognised as an expense	**7,344,418**	6,250,109
Research and development expenditure (recognised in administrative and other expenses as other expenses)	**77,534**	35,036
Finance costs (Note i)	**79,345**	23,542
And crediting:		
Recognised in cost of goods sold:		
Reversal of allowance for inventories	**1,258**	1,512
Recognised in other income:		
Interest income (including interest income from FVTPL/ held for trading investments)	**53,204**	31,338
Income on structured deposits	**10,238**	19,741
Rental income from investment properties less outgoings	**10,656**	6,169
Government subsidies recognised in other income (Note ii)	**171,812**	216,211

Notes:

(i) The finance costs mainly represents interest on bank borrowings.

(ii) The government subsidies recognised in other income of HK$171,812,000 (2018: HK$216,211,000) 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	Performance related incentive payments (Note vi)	Salaries and other allowances	Share-based payment	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2019						
Executive Directors:						
Mr. Wong Man Li (Chairman)	**380**	**76**	**1,357**	**217**	**18**	**2,048**
Ms. Hui Wai Hing	**380**	**–**	**1,038**	**220**	**–**	**1,638**
Mr. Alan Marnie	**380**	**–**	**5,090**	**41**	**–**	**5,511**
Mr. Dai Quanfa	**380**	**120**	**1,316**	**262**	**23**	**2,101**
Ms. Wong Ying Ying	**380**	**29**	**519**	**131**	**5**	**1,064**
Mr. Tsang Hoi Lam	**380**	**174**	**1,463**	**83**	**12**	**2,112**
Independent non-executive Directors:						
Mr. Ong Chor Wei	**380**	**–**	**–**	**–**	**–**	**380**
Mr. Chau Shing Yim David	**380**	**–**	**–**	**–**	**–**	**380**
Mr. Kan Chung Nin, Tony	**380**	**–**	**–**	**–**	**–**	**380**
Mr. Ding Yuan	**380**	**–**	**–**	**–**	**–**	**380**
	3,800	**399**	**10,783**	**954**	**58**	**15,994**
For the year ended 31 March 2018						
Executive Directors:						
Mr. Wong Man Li (Chairman)	300	148	1,316	178	18	1,960
Ms. Hui Wai Hing	300	113	1,036	267	–	1,716
Mr. Wang Guisheng (Note i)	300	186	2,041	97	32	2,656
Mr. Alan Marnie	300	–	5,111	315	–	5,726
Mr. Dai Quanfa	300	155	1,217	283	24	1,979
Ms. Wong Ying Ying	300	90	541	131	6	1,068
Mr. Tsang Hoi Lam (Note ii)	–	–	–	–	–	–
Independent non-executive Directors:						
Mr. Ong Chor Wei	300	–	–	–	–	300
Mr. Chau Shing Yim David	300	–	–	–	–	300
Mr. Kan Chung Nin, Tony	300	–	–	–	–	300
Mr. Ding Yuan	300	–	–	–	–	300
	3,000	692	11,262	1,271	80	16,305

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

(a) Directors – continued

Notes:

(i) Resigned as an executive director of the Company on 31 March 2018.

(ii) Appointed as an executive director of the Company on 31 March 2018.

(iii) 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.

(iv) 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.

(b) Senior management

All of the six (2018: seven) senior management of the Company for the year ended 31 March 2019 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 years ended 31 March 2019, one (2018: two) of them are directors of the Company whose emoluments are included in note 10(a).

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

(c) Five highest paid individuals – continued

The remuneration of the remaining four (2018: three) individuals for the year ended 31 March 2019 and 2018 are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other allowances	**31,648**	18,068
Performance related bonus	**3,593**	714
Contribution to retirement benefits scheme	**40**	28
Share-based payment expense	**1,457**	1,669
	36,738	20,479
Their emoluments were within the following bands:		
HK$3,000,001 to HK$3,500,000	**1**	2
HK$3,500,001 to HK$4,000,000	**2**	–
HK$14,000,001 to HK$14,500,000	**–**	1
HK$25,500,001 to HK$26,000,000	**1**	–
	4	3

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 (2018: nil). None of the directors waived any emoluments during the year (2018: 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

	2019 HK$'000	2018 HK$'000
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,363,801**	1,535,908

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**3,828,759**	3,819,109
Effect of dilutive potential ordinary shares – Share options	**1,977**	16,587
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**3,830,736**	3,835,696

12. DIVIDENDS

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

	2019 HK$'000	2018 HK$'000
Final dividend for 2018 of HK$0.12 (2018: HK$0.14 for 2017) per share	**459,993**	533,318
Interim dividend for 2019 of HK$0.06 (2018: HK$0.13 for 2018) per share	**229,385**	495,522
	689,378	1,028,840

A final dividend of HK$0.06 per share in respect of the year ended 31 March 2019, amounting to approximately HK$229,398,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on 15 July 2019, 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 2017	27,181	199,383	1,403,341	147,392	686,409	269,456	97,430	213,304	3,043,896
Exchange adjustments	4,595	27,458	157,090	17,597	77,882	31,864	13,462	45,320	375,268
Additions	–	1,589	7,886	28,035	105,564	42,242	53,784	474,238	713,338
Transfers	–	46	111,308	24,613	25,349	8,503	141	(169,960)	–
Surplus on valuation	–	–	176	–	–	–	–	–	176
Acquired on acquisition of subsidiaries (note 30)	–	–	–	499	19,942	27	820	–	21,288
Transfer to investment properties (note 14)	–	–	(5,882)	–	–	–	–	–	(5,882)
Transfer from properties under development	–	–	–	–	–	–	–	73,012	73,012
Disposals/written off	–	–	(387)	(15,745)	(21,044)	(6,281)	(2,530)	–	(45,987)
At 31 March 2018	31,776	228,476	1,673,532	202,391	894,102	345,811	163,107	635,914	4,175,109
Exchange adjustments	(2,848)	(21,201)	(111,402)	(13,232)	(57,499)	(23,346)	(11,024)	(41,765)	(282,317)
Additions	–	2,903	3,721	20,562	226,338	74,575	34,624	715,646	1,078,369
Surplus on valuation	–	–	15,956	–	–	–	–	–	15,956
Acquired on acquisition of subsidiaries (note 30)	–	197,481	–	–	5,329	2,414	1,111	–	206,335
Transfer to investment properties (note 14)	–	–	(208,023)	–	–	–	–	–	(208,023)
Transfers	–	51,764	516,752	5,193	21,190	61,472	–	(656,371)	–
Disposals/written off	–	–	(525)	(32,575)	(9,494)	(39,635)	(4,113)	(1,650)	(87,992)
At 31 March 2019	28,928	459,423	1,890,011	182,339	1,079,966	421,291	183,705	651,774	4,897,437
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2017	–	48,284	126,160	92,909	301,076	172,455	35,188	–	776,072
Exchange adjustments	–	8,550	15,157	10,730	32,133	20,722	4,621	–	91,913
Provided for the year	–	6,088	27,472	26,619	59,951	39,724	15,974	–	175,828
Eliminated on disposals/ written off	–	–	–	(10,910)	(18,393)	(5,659)	(1,642)	–	(36,604)
At 31 March 2018	–	62,922	168,789	119,348	374,767	227,242	54,141	–	1,007,209
Exchange adjustments	–	(5,650)	(11,353)	(7,939)	(21,842)	(15,232)	(3,677)	–	(65,693)
Provided for the year	–	10,955	31,886	22,338	81,922	50,113	27,988	–	225,202
Eliminated on disposals/ written off	–	–	–	(19,137)	(8,862)	(36,536)	(3,494)	–	(68,029)
At 31 March 2019	–	68,227	189,322	114,610	425,985	225,587	74,958	–	1,098,689
CARRYING VALUES									
At 31 March 2019	28,928	391,196	1,700,689	67,729	653,981	195,704	108,747	651,774	3,798,748
At 31 March 2018	31,776	165,554	1,504,743	83,043	519,335	118,569	108,966	635,914	3,167,900

13. PROPERTY, PLANT AND EQUIPMENT – continued

During the year ended 31 March 2019, the Group transferred property, plant and equipment with a fair value of HK$208,023,000 (2018: HK$5,882,000) 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"), a professional valuer 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 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	12.5% – 20%

14. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2017	170,781
Transfer from property, plant and equipment (note 13)	5,882
Transfer from lease premium for land	9,573
Fair value gain	4,456
Exchange adjustments	20,161
At 31 March 2018	210,853
Exchange adjustments	(11,997)
Transfer from property, plant and equipment (note 13)	208,023
Transfer from lease premium for land	78,208
Fair value gain	23
At 31 March 2019	485,110

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

14. INVESTMENT PROPERTIES – continued

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 by the directors of the Company with reference to professional valuations carried out by Cushman & Wakefield (2018: Cushman & Wakefield and OBEKC). The fair values were determined by comparison method and investment 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 matters. Investment method capitalises the net income from existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties.

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

Any changes in the significant unobservable inputs while other variables were held constant, the changes in fair value of the Group's investment properties would not be significant to the Group. There has been no change to the valuation technique or level of fair value hierarchy during the year.

The carrying value of investment properties shown above comprises:

	2019 **HK$'000**	2018 HK$'000
Properties on lands under medium-term lease:		
– in Hong Kong	**49,600**	49,600
– in Macau	**6,800**	6,800
– in PRC	**367,717**	87,453
	424,117	143,853
Properties on freehold land in Ukraine	**60,993**	67,000
	485,110	210,853

There were no transfers into or out of Level 3 during the year.

15. LEASE PREMIUM FOR LAND

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

	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Current asset	**53,171**	18,326
Non-current asset	**2,429,180**	787,109
	2,482,351	805,435

During the year ended 31 March 2019, the Group has acquired for the land use right of a piece of land located in the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, the People's Republic of China (the "PRC") for a cash consideration of RMB1,338,000,000 (equivalent to approximately HK$1,515,000,000).

On 15 June 2018, the Group has acquired for the land use right of a piece of land located in Vietnam through the acquisition of Beyond Excel Holdings Limited. The fair value of the land use right at the date of acquisition was HK$223,652,000. The details are disclosed in note 30.

As at 31 March 2018, the Group has not obtained land use right for a piece of leasehold land located in Huizhou, the PRC, with carrying value of HK$31,065,000. The land use right certificate has been obtained during the current year.

As at 31 March 2019, the Group has not obtained land use right for pieces of leasehold lands located in Shenzhen and Chongqing, the PRC, with carrying value of HK$1,560,000,000 and HK$50,092,000, respectively. The land use right certificates are expected to obtain in 2019.

16. GOODWILL

	HK$'000
COST	
At 1 April 2017	129,177
Arising on acquisition of subsidiaries (note 30)	235,153
Exchange adjustments	29,172
At 1 March 2018	393,502
Exchange adjustments	(25,394)
Arising on acquisition of subsidiaries (note 30)	157,796
At 31 March 2019	525,904

For the purposes of impairment testing, goodwill has been allocated to an individual CGU in the manufacture and distribution of sofas by Home Group, the production and sale of metal components for furniture business and the manufacture and sale of sofas by Beyond Excel Holdings Limited and its wholly owned subsidiary, Timberland Company Limited ("Beyond Excel Group"). During the year ended 31 March 2019, the directors of the Company determine that there are no impairment of these CGUs.

16. GOODWILL – continued

The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill	
	2019	2018
	HK$'000	HK$'000
Manufacture and distribution of sofas by Home Group	**139,427**	148,477
Sale of metal components for furniture business by Jiangsu Yulong Intelligent Technology Co., Limited ("Jiangsu Yulong")	**228,709**	245,025
Manufacture and distribution of sofas by Beyond Excel Group	**157,768**	–
	525,904	393,502

The recoverable amount of the CGUs 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 discount rate of 17.96%, 17.96% and 20.15% for Home Group, Jiangsu Yulong and Beyond Excel Group, respectively. The CGU's cash flows beyond the 5-year period are extrapolated at 2%, 3% and 3% growth rate for Home Group, Jiangsu Yulong and Beyond Excel Group, respectively. This growth rates are based on the directors' best estimate on the average growth rate of the industry. 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 market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

17. OTHER INTANGIBLE ASSETS

	Trademarks HK$'000	Technology knowhow HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
At 1 April 2017	2,104	120,879	72,890	195,873
Additions	778	–	–	778
Acquired on acquisition of subsidiaries (note 30)	2,009	–	41,790	43,799
Exchange adjustments	342	22,426	15,275	38,043
At 31 March 2018	5,233	143,305	129,955	278,493
Additions	28,585	–	–	28,585
Exchange adjustments	(409)	(12,848)	(10,647)	(23,904)
At 31 March 2019	33,409	130,457	119,308	283,174
ACCUMULATED AMORTISATION				
At 1 April 2017	1,560	2,014	2,305	5,879
Exchange adjustments	145	1,388	957	2,490
Charge for the year	357	14,511	9,716	24,584
At 31 March 2018	2,062	17,913	12,978	32,953
Exchange adjustments	(147)	(2,060)	(1,391)	(3,598)
Charge for the year	2,012	13,500	16,274	31,786
At 31 March 2019	3,927	29,353	27,861	61,141
CARRYING VALUE				
At 31 March 2019	29,482	101,104	91,447	222,033
At 31 March 2018	3,171	125,392	116,977	245,540

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

Trademarks	10% – 12.5%
Technology knowhow	10%
Customer relationship	10% – 20%

18. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Cost of unlisted investment in joint ventures	34,103	–
Share of post-acquisition losses	(4,129)	–
Exchange adjustments	885	–
	30,859	–

As at 31 March 2019 and 2018, the Group had interests in the following joint ventures:

Name of joint ventures	Form of business structure	Principal place of business and place of incorporation	Effective equity interest and voting power indirectly held by the Group 2019	2018	Principal activity
深圳華生大家居集團有限公司	Limited liability	The PRC	27%	–	Manufacturing and trading of bedding products
上海濠裝網絡科技有限公司	Limited liability	The PRC	30%	–	Promotion and marketing

19. DEFERRED TAXATION

	2019 HK$'000	2018 HK$'000
Deferred tax assets	(3,708)	(3,590)
Deferred tax liabilities	130,086	56,158
	126,378	52,568

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 HK$'000 (Note)	Inventory provision HK$'000	Fair value adjustments on business combination HK$'000	Total HK$'000
At 1 April 2017	21,934	1,229	17,440	(362)	–	40,241
Exchange adjustments	721	1,995	368	(87)	–	2,997
Charge (credit) to profit or loss	5,213	344	980	(818)	–	5,719
Charge to other comprehensive income	–	–	3,611	–	–	3,611
At 31 March 2018	27,868	3,568	22,399	(1,267)	–	52,568
Exchange adjustments	(658)	(1,080)	(301)	84	(12)	(1,967)
Acquired on acquisition of subsidiaries (note 30)	–	–	–	–	64,707	64,707
Charge (credit) to profit or loss	3,892	(313)	–	(84)	–	3,495
Charge to other comprehensive income	–	–	7,575	–	–	7,575
At 31 March 2019	31,102	2,175	29,673	(1,267)	64,695	126,378

The Group had unused tax losses of HK$244,464,000 (2018: HK$203,677,000) as at 31 March 2019 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$31,102,000 (2018: HK$27,868,000) 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$5,101,556,000 (2018: HK$3,250,994,000) as at 31 March 2019 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. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**550,697**	408,078
Work-in-progress	**334,070**	211,694
Finished goods	**528,796**	447,361
	1,413,563	1,067,133

21. PROPERTIES UNDER DEVELOPMENT

	HK$'000
At 1 April 2017	384,481
Additions	81,579
Transfer to property, plant and equipment (note 13)	(73,012)
Transfer to lease premium for land	(48,649)
Exchange adjustments	39,016
At 31 March 2018	383,415
Additions	75,632
Exchange adjustments	(25,576)
At 31 March 2019	433,471

The balance as at 31 March 2019 and 2018 is the land and development cost of properties under development located at Wujiang, the PRC, which are expected to be completed within one year from 31 March 2019.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019 **HK$'000**	2018 HK$'000
Trade and bills receivables	**1,309,685**	956,097
Other receivables and prepayments		
Valued added taxes recoverable	**240,965**	125,775
Deposits	**16,208**	29,127
Prepayments to suppliers	**213,679**	174,548
Sundry receivables	**83,965**	67,580
	554,817	397,030

As at 31 March 2019, total bills received amounting to HK$85,518,000 (2018: HK$35,158,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 36. All bills received by the Group are with a maturity period of less than six months.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Other than cash and credit card sales for retail transactions, the Group generally allows a credit period of 30 to 90 days for customers. 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:

	2019 **HK$'000**	2018 HK$'000
0–90 days	**1,174,553**	904,546
91–180 days	**96,513**	38,492
Over 180 days	**38,619**	13,059
	1,309,685	956,097

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.

As at 31 March 2019, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$121,005,000 which are past due as at the reporting date. Out of the past due balances, HK$2,444,000 has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging (based on invoice date) of trade and bills receivables which are past due but not impaired

As at 31 March 2018, included in the Group's trade and bills receivable balance are receivables with aggregate carrying amount of approximately HK$89,591,000 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.

	At 31 March 2018 HK$'000
Within 90 days	88,836
91–180 days	300
Over 180 days	455
	89,591

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.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Movement in the allowance for doubtful debts

	HK$'000
1 April 2017	4,193
Increase in allowance	635
Amounts written off as uncollectible	(3,324)
Exchange adjustments	202
31 March 2018	1,706

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD FOR TRADING INVESTMENTS

The investments are listed debentures carrying interest at fixed rates ranging from 7.95% to 8.5% per annum and maturity dates ranging from 15 February 2019 to 23 October 2020.

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

24. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

The restricted bank balances mainly represent deposits to banks in relation to properties under development and carry interest at prevailing deposit rate from 0.35% to 1.50% (2018: 0.30% to 2.25%) per annum.

Bank balances carry interest at prevailing deposit rates ranging from 0.001% to 1.10% per annum (2018: 0.001% to 1.5% per annum).

For the year ended 31 March 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank balances for the year ended 31 March 2019 are set out in note 36.

25. TRADE AND OTHER PAYABLES AND ACCRUALS/RECEIPT IN ADVANCE FROM SALES OF PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Trade payables		
Trade and bills payables	**663,432**	753,902
Other payables and accruals		
Trade deposits received from customers	**–**	197,962
Accruals	**311,658**	327,726
Payables for acquisition of property, plant and equipment	**29,449**	22,186
Others payable (note)	**114,544**	50,647
Consideration payable for acquisition of Jiangsu Yulong	**–**	149,925
	455,651	748,446

Note: As at 31 March 2019, included in the other payables is an amount due to a non-controlling interest of a subsidiary of HK$58,309,000 (2018: Nil) which is non-trade in nature, unsecured, interest-free and repayable on demand.

	2019 HK$'000	2018 HK$'000
Receipt in advance from sales of properties under development	**–**	50,011

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:

	2019 HK$'000	2018 HK$'000
0 – 90 days	**661,348**	751,698
91 – 180 days	**1,618**	1,214
Over 180 days	**466**	990
	663,432	753,902

26. CONTRACT LIABILITIES

	31.3.2019 HK$'000	1.4.2018* HK$'000
Sales of sofas	**148,825**	197,962
Sales of properties under development	**418,915**	50,011
	567,740	247,973

* The amounts in this column are after the adjustments from the application of HKFRS 15.

For sales of sofas, the contract liabilities recorded at the beginning of the year had been fully recognised as revenue during the year. The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

For sales of properties under development, no revenue was recognised during the year from the contract liabilities recorded at the beginning of the year. The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

27. BANK BORROWINGS

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

	2019 HK$'000	2018 HK$'000
Secured (Note)	**41,977**	74,314
Unsecured	**4,510,792**	1,266,394
	4,552,769	1,340,708
The carrying amounts of the above borrowings are repayable:		
Within one year	**2,892,699**	1,316,799
Within a period of more than one year but not exceeding two years	**542,699**	13,190
Within a period of more than two years but not exceeding five years	**1,117,371**	10,719
	4,552,769	1,340,708
Less: Amounts due within one year shown under current liabilities	**(2,892,699)**	(1,316,799)
Amounts shown under non-current liabilities	**1,660,070**	23,909

27. BANK BORROWINGS – continued

The Group's bank borrowings denominated in HKD and RMB carry interest at fixed and variable rates. The fixed rates are ranging from 4.25% to 4.35% (2018: nil). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.43% to 3.40% (2018: 1.59% to 2.02%), or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited ("Best Lending Rate") plus 1% or ii) Euro Interbank Offered Rate plus a spread, ranging from 1.50% to 4.18% (2018: 1.94% to 4.17%). The weighted average effective interest rate of the above variable-rate and fixed-rate bank borrowings was 2.93% and 4.33%, respectively (2018: 1.88% and nil, respectively) per annum.

Note: At the end of the reporting period, the following assets are pledged against the Group's secured bank borrowings:

	2019 **HK$'000**	2018 HK$'000
Property, plant and equipment	**104,963**	122,310
Inventories	**15,890**	18,139
	120,853	140,449

28. SHARE CAPITAL

	Number of shares '000	**Amounts** HK$'000
Authorised:		
Ordinary shares:		
At 1 April 2017, 31 March 2018 and 31 March 2019		
– HK$0.40 each	5,000,000	2,000,000
Issued and fully paid:		
At 1 April 2017	3,825,639	1,530,256
Repurchase of shares (Note)	(24,830)	(9,932)
Exercise of share options	27,969	11,187
At 31 March 2018	3,828,778	1,531,511
Repurchase of shares (Note)	(10,278)	(4,111)
Exercise of share options	4,623	1,849
At 31 March 2019	3,823,123	1,529,249

Note:

During the year ended 31 March 2019, 10,278,000 ordinary shares of the Company at HK$0.40 each were repurchased at a price ranging from HK$4.07 to HK$4.30 per share. All shares repurchased have been cancelled during the year.

During the year ended 31 March 2018, 24,830,000 ordinary shares of the Company at HK$0.40 each were repurchased at a price ranging from HK$6.57 to HK$7.00 per share.

29. 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.

29. 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 2019 and 2018 are as follows:

Date of grant	Exercise period	Number of share options granted (Note)	Adjusted number of share options granted	Exercise price HK$	Fair value as at date of grant HK$'000
8.2.2012	8.2.2017 – 7.2.2019	1,840,000	7,360,000	1.18	360
1.2.2013	1.2.2016 – 31.1.2018	5,266,400	21,065,600	1.80	3,986
	1.2.2017 – 31.1.2019	5,266,000	21,064,000	1.80	2,713
22.1.2014	22.1.2016 – 21.1.2018	3,765,600	15,062,400	3.64	6,754
	22.1.2017 – 21.1.2019	3,820,400	15,281,600	3.64	6,012
10.2.2015	10.2.2017 – 9.2.2019	9,674,400	19,348,800	3.36	5,289
	10.2.2018 – 9.2.2020	9,582,000	19,164,000	3.36	4,268
21.5.2015	21.5.2017 – 20.5.2019	200,000	400,000	4.76	697
26.1.2016	26.1.2018 – 25.1.2020	6,295,200	12,590,400	4.46	6,126
	26.1.2019 – 25.1.2021	6,193,600	12,387,200	4.46	5,027
27.1.2016	27.1.2018 – 26.1.2020	126,800	253,600	4.46	210
	27.1.2019 – 26.1.2021	126,800	252,000	4.46	227
26.5.2016	26.5.2018 – 3.3.2020	1,200,000	2,400,000	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
12.2.2018	12.2.2020 – 11.2.2022	2,052,800	N/A	7.18	3,329
	12.2.2021 – 11.2.2023	2,032,000	N/A	7.18	3,751
	12.2.2022 – 11.1.2024	1,841,200	N/A	7.18	3,765
28.1.2019	28.1.2021 – 27.1.2023	4,983,600	N/A	3.91	4,205
	28.1.2022 – 27.1.2024	4,974,800	N/A	3.91	4,103
	28.1.2023 – 27.1.2025	4,760,800	N/A	3.91	3,921

29. 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 1.4.2017	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2018	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2019
Directors										
22.1.2014	22.1.2014–21.1.2017	468,800	–	–	(468,800)	–	–	–	–	–
10.2.2015	10.2.2015–9.2.2017	276,800	–	–	(276,800)	–	–	–	–	–
	10.2.2015–9.2.2018	2,097,600	–	–	(1,820,800)	276,800	–	–	–	276,800
21.5.2015	21.5.2015–20.5.2018	400,000	–	–	(400,000)	–	–	–	–	–
26.1.2016	26.1.2016–25.1.2018	772,800	–	–	(549,600)	223,200	–	–	–	223,200
	26.1.2016–25.1.2019	771,200	–	(548,800)	–	222,400	–	–	–	222,400
27.1.2016	27.1.2016–26.1.2018	253,600	–	–	(253,600)	–	–	–	–	–
	27.1.2016–26.1.2019	252,000	–	–	–	252,000	–	–	–	252,000
26.5.2016	26.5.2016–25.5.2018	400,000	–	–	–	400,000	–	–	–	400,000
13.1.2017	13.1.2017–12.1.2019	286,800	–	(53,200)	–	233,600	–	–	–	233,600
	13.1.2017–12.1.2020	286,800	–	(53,200)	–	233,600	–	–	–	233,600
	13.1.2017–12.1.2021	285,600	–	(53,200)	–	232,400	–	–	–	232,400
12.2.2018	12.2.2018–11.2.2020	–	214,000	(51,200)	–	162,800	–	–	–	162,800
	12.2.2018–11.2.2021	–	214,000	(51,200)	–	162,800	–	–	–	162,800
	12.2.2018–11.1.2022	–	210,400	(50,400)	–	160,000	–	–	–	160,000
28.1.2019	28.1.2019–27.1.2021	–	–	–	–	–	316,400	–	–	316,400
	28.1.2019–27.1.2022	–	–	–	–	–	316,400	–	–	316,400
	28.1.2019–27.1.2023	–	–	–	–	–	315,200	–	–	315,200
		6,552,000	638,400	(861,200)	(3,769,600)	2,559,600	948,000	–	–	3,507,600

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

		Number of share options								
Date of grant	Vesting period	Outstanding at 1.4.2017	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2018	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2019
Employees										
8.2.2012	8.2.2012–7.2.2017	206,400	–	–	(206,400)	–	–	–	–	–
1.2.2013	1.2.2013–31.1.2016	6,400	–	–	(6,400)	–	–	–	–	–
	1.2.2013–31.1.2017	1,080,000	–	–	(1,065,600)	14,400	–	(6,400)	(8,000)	–
22.1.2014	22.1.2014–21.1.2016	262,400	–	–	(262,400)	–	–	–	–	–
	22.1.2014–21.1.2017	4,232,000	–	–	(3,792,000)	440,000	–	(270,400)	(169,600)	–
10.2.2015	10.2.2015–9.2.2017	5,538,400	–	–	(4,957,600)	580,800	–	(31,200)	(549,600)	–
	10.2.2015–9.2.2018	12,584,800	–	(1,136,800)	(7,973,600)	3,474,400	–	(61,600)	(2,280,800)	1,132,000
26.1.2016	26.1.2016–25.1.2018	10,384,000	–	(39,600)	(5,936,000)	4,408,400	–	(1,278,800)	(1,614,400)	1,515,200
	26.1.2016–25.1.2019	10,235,200	–	(1,410,400)	–	8,824,800	–	(1,708,000)	–	7,116,800
26.5.2016	26.5.2016–25.5.2018	2,000,000	–	–	–	2,000,000	–	–	–	2,000,000
13.1.2017	13.1.2017–12.1.2019	2,244,000	–	(205,600)	–	2,038,400	–	(371,200)	–	1,667,200
	13.1.2017–12.1.2020	2,242,400	–	(204,800)	–	2,037,600	–	(371,200)	–	1,666,400
	13.1.2017–12.1.2021	2,246,000	–	(206,800)	–	2,039,200	–	(369,600)	–	1,669,600
12.2.2018	12.2.2018–11.2.2020	–	1,838,800	(31,600)	–	1,807,200	–	(408,400)	–	1,398,800
	12.2.2018–11.2.2021	–	1,818,000	(30,400)	–	1,787,600	–	(400,400)	–	1,387,200
	12.2.2018–11.1.2022	–	1,630,800	(21,600)	–	1,609,200	–	(361,600)	–	1,247,600
28.1.2019	28.1.2019–27.1.2021	–	–	–	–	–	4,667,200	(213,600)	–	4,453,600
	28.1.2019–27.1.2022	–	–	–	–	–	4,658,400	(213,600)	–	4,444,800
	28.1.2019–27.1.2023	–	–	–	–	–	4,445,600	(206,000)	–	4,239,600
		53,262,000	5,287,600	(3,287,000)	(24,200,000)	31,062,000	13,771,200	(6,272,000)	(4,622,400)	33,938,800
		59,814,000	5,926,000	(4,148,800)	(27,969,600)	33,621,600	14,719,200	(6,272,000)	(4,622,400)	37,446,400
Exercisable at the end of the reporting period		12,071,200				9,418,000				15,039,200

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 August 2016.

During the year ended 31 March 2019, share options of 14,719,200 were granted on 28 January 2019. The estimated fair value of the options granted on the grant date is HK$12,229,000. The closing price of the Company's shares at the date of grant were HK$3.91.

During the year ended 31 March 2018, share options of 5,926,000 shares were granted on 12 February 2018. The estimated fair values of the options granted on those dates is HK$10,845,000. The closing price of the Company's shares at the date of grant were HK$6.80 respectively.

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

The fair values of the share options at the dates of grant were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation for options granted during the years ended 31 March 2019 and 2018 are as follows:

Date of grant	13.1.2017	12.2.2018	28.1.2019
Closing share price at date of grant	HK$5.12	HK$6.80	HK$3.91
Exercise price	HK$5.17	HK$7.18	HK$3.91
Suboptimal exercise factor	2.2 to 2.8	1.6 to 2.47	1.6 to 2.47
Expected volatility	40.7% to 49.5%	40.09% to 43.72%	38.83% to 39.68%
Expected dividend yield	4.56%	3.63%	4.02%
Risk free rate	1.30% to 1.38%	1.64% to 1.81%	1.74% – 1.81%
Fair value	HK$1.22 to HK$1.71	HK$1.62 to HK$2.07	HK$0.81 to HK$1.08

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$8,629,000 (2018: HK$8,734,000) in relation to the share options granted by the Company.

Share Award Scheme

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

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 2018 and 2019.

30. BUSINESS COMBINATION

Acquisition of Beyond Excel Holdings Limited and its Subsidiary ("Beyond Excel Group")

On 15 June 2018, Man Wah Group Limited, a wholly owned subsidiary of the Company, acquired 100% equity interest in Beyond Excel Group from an independent third party for a cash consideration of USD68,000,000 (equivalent to approximately HK$533,862,000). This acquisition has been accounted for using the purchase method. Beyond Excel Group is engaged in the production of sofas in Vietnam and exportation to overseas market, as to expand the Group's manufacture and sale of sofas operations.

Fair value of assets acquired and liabilities assumed recognised at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	206,335
Other receivables	10,786
Lease premium for land	223,652
Deferred tax liability	(64,707)
Total identifiable net assets	376,066

Acquisition-related costs amounting to approximately HK$122,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses, in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arising on acquisition:

	HK$'000
Cash consideration paid	533,862
Less: fair value of identifiable net assets acquired	(376,066)
Goodwill arising on acquisition	157,796

Included in the profit and revenue for the relevant year are profit of HK$7,427,000 and revenue of HK$326,265,000 attributable to the additional business generated by the Beyond Excel Group.

Had the acquisition been completed on 1 April 2018, total group revenue for the year would have been HK$11,308,846,000, and profit for the year would have been HK$1,400,232,000. 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 2018, nor is it intended to be a projection of future results.

30. BUSINESS COMBINATION – continued

Acquisition of Jiangsu Yulong Intelligent Technology Co., Limited

On 1 January 2018, Remaco Machinery Technology (Wujiang) Co., Ltd, a non-wholly owned subsidiary of the Company, acquired 80% equity interest in Jiangsu Yulong for a cash consideration of RMB240,000,000 (equivalent to HK$287,770,000). This acquisition has been accounted for using the purchase method. Jiangsu Yulong is engaged in the production and sale of metal components for furniture business in China, and is acquired from an independent third party so as to expand of the Group's manufacture and sale of sofas operations.

Consideration transferred:

	HK$'000
Cash paid during the year	137,845
Consideration payable	149,925
Total consideration	287,770

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

	HK$'000
Property, plant and equipment	18,923
Intangible assets	43,799
Other receivables	3,049
Total identifiable net assets	65,771

The non-controlling interest (20%) in the Jiangsu Yulong recognised at the acquisition date was measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets acquired of the non-controlling interests and amounted to HK$13,154,000.

Acquisition-related costs amounting to HK$385,000 have been excluded from the consideration transferred and have been recognised as an expense in the relevant year, within the administrative expenses, in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arising on acquisition:

	HK$'000
Cash consideration	287,770
Plus: non-controlling interests	13,154
Less: fair values of identifiable net assets acquired	(65,771)
Goodwill arising on acquisition	235,153

30. BUSINESS COMBINATION – continued

Acquisition of Jiangsu Yulong Intelligent Technology Co., Limited – continued

Goodwill arose in the acquisition of Jiangsu Yulong 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 Jiangsu Yulong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the profit and revenue for the relevant year are profit HK$20,584,000 and revenue of HK$154,060,000 attributable to the additional business generated by the Jiangsu Yulong.

Had the acquisition been completed on 1 April 2017, total group revenue for the year would have been HK$10,026,573,000, and profit for the year would have been HK$1,553,946,000. 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 2017, nor is it intended to be a projection of future results.

Acquisition of Jiangsu Delanshi Furniture Co., Limited

On 1 January 2018, Man Wah Furniture Manufacturing (Huizhou) Co., Ltd., a wholly owned subsidiary of the Company, injected cash at RMB40,000,000 (equivalent to HK$47,962,000) as capital in Jiangsu Delanshi Furniture Co., Limited ("Jiangsu Delanshi"). After the capital injection, the Group held 80% equity interest in Jiangsu Delanshi. This acquisition has been accounted for using the purchase method. Jiangsu Delanshi is engaged in the manufacture and sale of sofas in China, and is acquired from an independent third party so as to expand of the Group's manufacture and sale of sofas operations.

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

	HK$'000
Property, plant and equipment	2,365
Inventories	17,226
Bank balances and cash	47,962
Other receivables	3,330
Other payables	(10,931)
Total identifiable net assets	59,952

The non-controlling interest (20%) in the Jiangsu Delanshi recognised at the acquisition date was measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets acquired of the non-controlling interests and amounted to HK$11,990,000.

Acquisition-related costs amounting to HK$385,000 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.

30. BUSINESS COMBINATION – continued

Acquisition of Jiangsu Delanshi Furniture Co., Limited – continued

Goodwill arising on acquisition:

	HK$'000
Cash consideration	47,962
Plus: non-controlling interests	11,990
Less: provision fair values of identifiable net assets acquired	(59,952)
	–

Net cash outflow arising on the acquisition:

	HK$'000
Cash consideration paid	47,962
Add: Cash and bank balances acquired	(47,962)
	–

Included in the profit and revenue for the relevant year are profit HK$861,000 and revenue of HK$22,678,000 attributable to the additional business generated by the Jiangsu Delanshi.

Had the acquisition been completed on 1 April 2017, total group revenue for the year would have been HK$10,026,573,000, and profit for the year would have been HK$1,553,946,000. 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 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the Jiangsu Yulong 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.

31. OPERATING LEASES

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid under operating leases recognised as an expense	**51,582**	94,195

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:

	2019 HK$'000	2018 HK$'000
Within one year	**21,058**	49,502
In the second to fifth year inclusive	**9,016**	11,973
Over five years	**12**	–
	30,086	61,475

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:

	2019 HK$'000	2018 HK$'000
Rental income	**10,683**	6,359
Less: outgoings	**(27)**	(190)
	10,656	6,169

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

	2019 HK$'000	2018 HK$'000
Within one year	**26,728**	8,347
In the second to fifth year inclusive	**24,989**	11,990
Over five years	**600**	–
	52,317	20,337

The properties generate rental yield of 3% (2018: 3%) on an ongoing basis. All of the properties held have committed tenants for contract terms of two years.

32. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**108,462**	61,146
– construction of production plant	**289,101**	77,992
	397,563	139,138
Other commitments of		
– construction of property under development for sale	**123,457**	132,106
– investment in joint ventures	**11,662**	–
	532,682	271,244

33. 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.

34. RELATED PARTY DISCLOSURES

(I) Related party transactions

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

	2019 HK$'000	2018 HK$'000
Rental expense paid to related parties (Note)	**2,804**	2,580

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.

34. 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.

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 27, cash and cash equivalents disclosed in note 24 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 28 and reserves.

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

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**2,971,089**	–
Loans and receivables (including cash and cash equivalents)	**–**	2,438,939
FVTPL/held for trading investments	**220,650**	311,754
Financial liabilities		
Amortised cost	**5,360,194**	2,317,368

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, financial assets at FVTPL/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.

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk

(i) 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

	2019 **HK$'000**	2018 HK$'000
USD	**748,110**	54,466
EUR	**10,538**	33,384
UAH	**47**	80
RMB	**4,945**	143
HKD	**171**	400
Other currencies	**15,393**	1,226

Liabilities

	2019 **HK$'000**	2018 HK$'000
USD	**496,194**	491,405
RMB	**2,218**	3,109
EUR	**5,526**	10,388
HKD	**–**	4,141
Other currencies	**195**	103

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

(i) 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.

	2019 **HK$'000**	2018 HK$'000
Increase (decrease) in profit for the year		
– USD	**(10,113)**	18,371
– RMB	**114**	(124)
– UAH	**2**	3
– HKD	**7**	(139)

(ii) 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 2019 would increase/decrease by HK$4,466,000 (2018: HK$5,359,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

(ii) 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 2019 would decrease/increase by HK$9,216,000 (2018: HK$5,588,000). 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 and impairment assessment

As at 31 March 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade and bills receivables arising from contracts with customers

In order to minimise the 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 Group performs impairment assessment under ECL model upon application of IFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The credit risk on bills receivables is limited because the counterparties are mainly from the banks with high credit ratings assigned by international credit-ratings agencies.

Other receivables

The Group assessed the impairment for its other receivables individually based on internal credit rating and ageing of these debtors which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables within lifetime ECL as at 1 January 2018 and 31 December 2018 was insignificant and accordingly no allowance for credit losses is provided.

Bank balances and restricted bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Significant concentrations of credit risk

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

The Group has concentration of credit risk on its bank balances and trade receivables.

Over 80% (2018: 80%) of the Group's bank balance is deposited into four (2018: three) banks. The directors of the Company anticipated that the related credit risk is limited because the banks are with good reputations.

11% (2018: 11%) and 27% (2018: 29%) 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.

The Group's internal credit risk grading assessment on trade and bills receivables and other financial assets comprise the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts	N/A	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	N/A	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	N/A	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Significant concentrations of credit risk – continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
FINANCIAL ASSETS AT AMORTISED COST				
Trade and bills receivables	22	(Note)	Lifetime ECL not credit-impaired	1,309,685
		In default	Credit-impaired	2,214
				1,311,899
Other receivables	22	Performing	12m ECL	83,965
Bank balances and cash	24	Performing	12m ECL	1,438,339
Restricted bank balances	24	Performing	12m ECL	139,100

Note: The Group has applied the simplified approach in IFRS 9 to measure the loss allowance of lifetime ECL. Except for debtors that are credit-impaired, the Group determine the ECL on these items by using a provision matrix, grouped by aging of receivables.

Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for trade and bills receivables within lifetime ECL (not credit-impaired) as at 31 March 2019 was insignificant and accordingly no allowance for credit losses is provided.

During the year ended 31 March 2019, the Group provided HK$738,000 impairment allowance for trade and bills receivables which were not credit-impaired debtors. No impairment allowance was reversed on credit-impaired debtors.

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Significant concentrations of credit risk – continued

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (credit-impaired) RMB'000
As at 31 March 2018 under IAS 39 and at 1 April 2018 under IFRS 9	1,706
Changes due to financial instruments recognised as at January 1:	
– Impairment losses recognised	738
– Write-offs	(53)
Exchange adjustments	(177)
As at 31 March 2019	2,214

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

36. 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$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2019						
Non-derivative financial liabilities						
Trade and other payables	**–**	**807,425**	**–**	**–**	**807,425**	**807,425**
Bank borrowings – variable rate	**2.93**	**2,096,646**	**71,958**	**1,840,288**	**4,008,892**	**3,853,061**
Bank borrowings – fixed rate	**4.33**	**720,994**	**–**	**–**	**720,994**	**699,708**
		3,625,065	**71,958**	**1,840,288**	**5,537,311**	**5,360,194**

	Weighted average effective interest rate %	On demand or less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2018						
Non-derivative financial liabilities						
Trade and other payables	–	976,660	–	–	976,660	976,660
Bank borrowings – variable rate	1.88	1,319,560	13,775	10,836	1,344,171	1,340,708
		2,296,220	13,775	10,836	2,320,831	2,317,368

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.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

36. 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 2019 and 2018.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000
At 1 April 2017	1,074,930
Financing cash flows	253,224
Foreign exchange translation	12,554
At 31 March 2018	1,340,708
Financing cash flows	3,213,411
Foreign exchange translation	(1,350)
At 31 March 2019	4,552,769

38. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2019 and 2018 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 2019	2018	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 and trading of sofas and other furniture
Man Wah Furniture (China) Co., Ltd.* [1] 敏華家具(中國)有限公司	The PRC	USD60,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah (Macao Commercial Offshore) Limited 敏華(澳門離岸商業服務)有限公司	Macau	MOP100,000	**100%**	100%	Offshore sales, management business consultancy, back office support
Man Wah Industrial (Wujiang)Co., Ltd.* [1] 敏華實業(吳江)有限公司	The PRC	USD60,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah Furniture Headquarter (Wujiang) Co., Ltd.* [1] 敏華家具總部(吳江)有限公司	The PRC	USD110,000,000	**100%**	100%	Property development and hotel operation
Remaco Machinery Technology (Wujiang) Co., Ltd.* [1] 銳邁機械科技(吳江)有限公司	The PRC	RMB150,000,000	**93.75%**	93.75%	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

38. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2019 and 2018 are as follows: – 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 2019	2018	Principal activities
Indirectly owned – continued					
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.* 1 敏華家具製造(惠州)有限公司 ("Man Wah Huizhou")	The PRC	USD102,000,000	**100%**	100%	Manufacturing and trading of sofas
Man Wah Home Furnishing (Huizhou) Co., Ltd.* 1 敏華家居產業(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%**	90%	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
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 Ju Long Ge Property Management Company Limited* 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.* 重慶敏華家具制造有限公司	The PRC	RMB300,000,000	**100%**	100%	Manufacturing and trading of sofas, bedding products, other furniture and foam
Man Wah Intelligent Technology (Huizhou) Co., Ltd*2 敏華智能科技(惠州)有限公司	The PRC	RMB13,000,000	**100%**	100%	Research and production of smart drive machine and electric regulator

38. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2019 and 2018 are as follows: – 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 2019	2018	Principal activities
Indirectly owned – continued					
Chongqing Carnival Business Service Co., Ltd* 重慶嘉年名華商務服務有限公司	The PRC	RMB50,000,000	**100%**	100%	Providing business management service, advertising service and design service
Huizhou Man Wah Business Management Service Co., Ltd* 惠州市敏華企業管理服務有限公司	The PRC	RMB1,000,000	**100%**	100%	Providing business management service
Chongqing Man Wah Luohuang Industrial Co., Ltd* 重慶敏華珞璜實業有限公司	The PRC	RMB200,000,000	**100%**	100%	Providing business management service, advertising service and warehouse service
Chongqing Carnival Brand Management Co., Ltd* 重慶嘉年名華品牌管理有限公司	The PRC	RMB100,000,000	**89%**	89%	Providing brand management, business consulting and import & export service
Jiangsu Yulong Intelligent Technology Co., Limited* 江蘇鈺龍智能科技有限公司	The PRC	RMB20,000,000	**75%**	75%	Manufacturing of furniture components
Jiangsu Delanshi Furniture Co. Limited* 江蘇德蘭仕傢俱有限公司	The PRC	RMB50,000,000	**80%**	80%	Manufacturing and trading of sofa
Lingzhi Furniture (Huizhou) Co., Ltd. 淩志傢俱(惠州)有限公司	The PRC	HKD1,000,000	**90%**	90%	Manufacturing and trading of sofa
Lingzhi Furniture (Suzhou) Co., Ltd. 淩志傢俱(蘇州)有限公司	The PRC	HKD1,000,000	**90%**	90%	Manufacturing and trading of sofa
Tianjin Zhitian Furniture Co., Ltd. 天津志天傢俱有限公司	The PRC	RMB200,000	**90%**	90%	Manufacturing and trading of sofa
Chongqing Zhitian Furniture Co., Ltd.* [2] 重慶志天傢俱有限公司	The PRC	RMB1,000,000	**90%**	–	Manufacturing and trading of sofa
Chongqing Ruimak Brand Management Co., Ltd.* [2] 重慶鋭瑪克品牌管理有限公司	The PRC	RMB1,000,000	**93.75%**	–	Trading of furniture components
Chongqing Ruipuslin Intelligent Technology Co., Ltd.* [2] 重慶睿普斯林智能科技有限公司	The PRC	RMB10,000,000	**93.75%**	–	Trading of furniture components

38. PARTICULAR OF THE PRINCIPAL SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2019 and 2018 are as follows: – 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 2019	2018	Principal activities
Indirectly owned – continued					
Huizhou Ruipuslin Intelligent Technology Co., Ltd.* [2] 惠州市睿普斯林智能科技有限公司	The PRC	RMB1,000,000	**93.75%**	–	Manufacturing of furniture components
Chongqing Minhua Brand Management Co., Ltd.* [2] 重慶敏華品牌管理有限公司	The PRC	RMB500,000,000	**100%**	–	Trading of sofas, bedding products, other furniture and foam
Timberland Company Limited* [3]	Timberland	USD12,000,000	**100%**	–	Manufacturing and trading of sofas
Home Group Ltd.*	Cayman Islands	EUR6,000	**50%[4]**	50%[4]	Investment holding
Home Group Holdings Ltd.*	Hong Kong	HK$1	**50%[4]**	50%[4]	Investment holding

* 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 2019.

[3] These companies were newly acquired during the year ended 31 March 2019.

[4] According to the Shareholders' Agreement, the Group has the majority voting power in the board of directors of Home Group, by which the relevant activities that significantly affect the return of Home Group are determined on a simple majority basis, and accordingly, Home Group is accounted for as a subsidiary of the Group.

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.

39. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiary of the Company that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
		%	%	%	%	%	%
Home Group Ltd.	Cayman Islands	50	50	8,784	7,206	386,199	415,525
Individually immaterial subsidiaries with non-controlling interests				32,091	10,832	106,627	65,742
Total				40,875	18,038	492,826	481,267

Summarised financial information in respect of the Company's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

Home Group Ltd.

	2019 HK$'000	2018 HK$'000
Current assets	143,330	189,428
Non-current assets	478,959	559,112
Current liabilities	135,540	208,259
Non-current liabilities	82,238	100,340
Total equity	404,511	439,941
Equity attributable to owners of the Company	18,312	415,525
Non-controlling interests of Home Group Ltd.	386,199	369,355
Total	404,511	439,941

39. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – continued

Home Group Ltd. – continued

	2019 HK$'000	2018 HK$'000
Revenue	**823,965**	874,799
Other income	**3,542**	5,808
Expenses and income tax	**(812,082)**	(869,321)
Profit and total comprehensive income for the year	**14,604**	11,286
Profit attributable to owners of the Company	**5,820**	4,080
Profit attributable to the non-controlling interests	**8,784**	7,206
Net cash inflow (outflow) from operating activities	**42,799**	(6,082)
Net cash outflow from investing activities	**(15,885)**	(59,513)
Net cash (outflow) inflow from financing activities	**(22,659)**	23,588
Net cash inflow (outflow)	**4,255**	(42,007)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current asset		
Interests in subsidiaries	**3,711,080**	1,697,620
	3,711,080	1,697,620
Current assets		
Other receivables and prepayments	**619**	618
Amounts due from subsidiaries	**–**	72,581
Cash and bank balances	**154**	53
	773	73,252
Current liabilities		
Amount due to a subsidiary	**1,255,312**	–
Other payables and accruals	**414**	12,757
	1,255,726	12,757
Net current (liabilities) assets	**(1,254,953)**	60,495
Net assets	**2,456,127**	1,758,115
Capital and reserves		
Share capital	**1,529,249**	1,531,511
Reserves (Note)	**926,878**	226,604
Total equity	**2,456,127**	1,758,115

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

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

	Contributed surplus HK$'000	Shares held under share award scheme HK$'000	Share option reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2017	173,462	(448)	14,300	(694,933)	(507,619)
Profit and total comprehensive income for the year	–	–	–	1,822,945	1,822,945
Repurchase of shares	(158,525)	–	–	–	(158,525)
Recognition of equity-settled share-based payments	–	–	8,734	–	8,734
Issue of shares upon exercise of share options	99,720	–	(9,811)	–	89,909
Dividends paid	–	–	–	(1,028,840)	(1,028,840)
At 31 March 2018	114,657	(448)	13,223	99,172	226,604
Profit and total comprehensive income for the year	–	–	–	1,404,926	1,404,926
Repurchase of shares	(39,396)	–	–	–	(39,396)
Recognition of equity-settled share-based payments	–	–	8,629	–	8,629
Issue of shares upon exercise of share options	16,883	–	(1,390)	–	15,493
Dividends paid	–	–	–	(689,378)	(689,378)
At 31 March 2019	92,144	(448)	20,462	814,720	926,878

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.	CHEERS Exhibition Hall Julongge Sales Department, No. 199 Yundong Avenue, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province, the PRC	Commercial	Medium	100%
7.	Easyhome Daya Bay Store, 500 Shihua Avenue, Huiyang District, Huizhou City, Guangdong Province, the PRC	Commercial	Medium	100%
8.	Industrialna 10, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%

Location		Existing use	Lease term	Attributable interest of the Group
Properties for the Group's own use				
9.	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%
10.	32 Shihua Avenue, Western Section of Daya Bay Economic Huizhou City, Guangdong Province, the PRC	Industrial	Long	100%
11.	No. 5555, TongJin Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
12.	No. 888. Xingrui Road, Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	Industrial	Long	100%
13.	CHEERS Flagship Store, CBD International Famous Store Street, 21 North Avenue, Hankou District, Wuhan City, Hubei Province, the PRC	Commercial	Long	100%
14.	Praca Wong Chio J19, Alameda Dr. Carlos D' Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
15.	Praca Wong Chio K19, Alameda Dr. Carlos D' Assumpção Nºs 411-417, Em Macau	Commercial	Medium	100%
16.	668 N. Main Street, High Point, NC 27260-5018, USA	Commercial	Long	100%
17.	78 Fuyuan Road, Wuqing Development Zone, Tianjin, the PRC	Industrial	Long	100%

Location		Existing use	Lease term	Attributable interest of the Group
18.	Shicheng Yian Red Star International Plaza, 1969, Puxing Highway, Minhang District, Shanghai, the PRC	Commercial	Long	100%
19.	A08, Mingdian Street, Jinma Kaixuan Home, Intersection of West Fourth Ring, Longhai West Road, Zhong Yuan District, Zhengzhou City, Henan Province, the PRC	Commercial	Long	100%
20.	Luohuang Industrial Park, Jiangjin District, Chongqing, the PRC	Industrial	Long	100%
21.	Group No. 2 Binh Chanh Quarter, Khanh Binh Ward, Tan Uyen Town, Binh Dicong Province, Vietnam	Industrial	Long	100%
22.	Kopli St. 68/Volta St. 1 &/Kopli St. 70, Tallinn, Estonia	Industrial	Long	40%
23.	Kolejowa Street 13-100, Nidzica, Poland	Industrial	Long	40%
24.	Lesna Street 13-100, Nidzica, Poland	Industrial	Long	40%
25.	Silutės pl. 95, Klaipeda, Lithuania	Industrial	Long	40%
26.	Kriukai, Darbininku street 14A and 20A, Sakiai, Lithuania	Industrial	Long	40%
27.	Industrialna 12, Kvasyliv, Rivne, Ukraine	Industrial	Long	40%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	6,554,811	7,327,590	7,779,015	10,026,573	**11,257,792**
Cost of goods sold	(4,221,985)	(4,431,563)	(4,520,832)	(6,283,633)	**(7,420,694)**
Gross profit	2,332,826	2,896,027	3,258,183	3,742,940	**3,837,098**
Other income	320,372	175,927	159,752	364,630	**421,424**
Other gains and losses	(7,704)	4,457	184,001	(26,168)	**(102,596)**
Selling and distribution expenses	(1,012,242)	(1,229,313)	(1,173,878)	(1,693,223)	**(1,806,183)**
Administrative expenses	(351,976)	(344,913)	(365,441)	(442,052)	**(550,242)**
Share of profit of a joint venture	1,075	(221)	–	–	**(4,129)**
Share of (loss) profit of an associate	(1,020)	–	–	–	**–**
Finance costs	(22,594)	(11,964)	(10,271)	(23,542)	**(79,345)**
Profit before income tax	1,258,737	1,490,000	2,052,346	1,922,585	**1,716,027**
Income tax expense	(174,799)	(150,182)	(293,222)	(368,639)	**(311,351)**
Profit for the year	1,083,938	1,339,818	1,759,124	1,553,946	**1,404,676**
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	7,099	(216,966)	(305,526)	522,536	**(446,909)**
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	3,578	**8,373**
Total comprehensive income for the year	1,093,882	1,123,369	1,475,384	2,080,060	**966,140**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Profit for the year attributable to:					
Owners of the Company	1,075,159	1,327,244	1,752,370	1,535,908	**1,363,801**
Non-controlling interest	8,779	12,574	6,754	18,038	**40,875**
	1,083,938	1,339,818	1,759,124	1,553,946	**1,404,676**
Total comprehensive income (expenses) for the year attributable to:					
Owners of the Company	1,085,032	1,111,431	1,467,215	1,999,700	**966,559**
Non-controlling interest	8,850	11,938	8,169	80,360	**(419)**
	1,093,882	1,123,369	1,475,384	2,080,060	**966,140**
Earnings per share (Note)					
Basic (HK cents)	27.83	34.15	45.64	40.22	**35.62**
Diluted (HK cents)	27.28	33.89	45.47	40.04	**35.60**
Dividend per share (Note)					
Interim dividend (HK cents)	6.25	8.0	14.0	13	**6**
Special dividend (HK cents)	18.75	–	–	–	**–**
Final dividend (HK cents)	6.5	9.5	14.0	12	**6**
Full year dividend (HK cents)	31.5	17.5	28.0	25	**12**
Dividend Payout Ratio (%)	114.9%	51.0%	61.0%	62.1%	**33.7%**

Note: During the year of FY2017, 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

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Non-current assets					
Property, plant and equipment	1,987,681	2,033,774	2,267,824	3,167,900	**3,798,748**
Investment properties	53,500	52,156	170,781	210,853	**485,110**
Lease premium for land	534,323	318,598	451,219	787,109	**2,429,180**
Other intangible assets	626	382	189,994	245,540	**222,033**
Interest in a joint venture	221	–	–	–	**30,859**
Available-for-sale investment	3,748	1,794	–	–	**–**
Deferred tax assets	1,731	1,246	2,589	3,590	**3,708**
Properties under development	–	304,043	384,481	–	**–**
Refundable earnest money paid for lease premium for land	7,973	4,045	3,815	–	**–**
Deposit paid for acquisition of a land lease	–	38,489	11,280	4,225	**3,944**
Deposits paid for acquisition of property, plant and equipment	102,907	52,059	79,612	101,079	**70,986**
Goodwill	–	–	129,177	393,502	**525,904**
	2,692,710	2,806,586	3,690,772	4,913,798	**7,570,472**
Current assets					
Inventories	781,231	607,199	749,253	1,067,133	**1,413,563**
Properties under development	–	–	–	383,415	**433,471**
Trade receivables	622,052	590,609	639,674	956,097	**1,309,685**
Other receivables and prepayments	215,404	153,530	235,129	397,030	**554,817**
Lease premium for land	12,109	7,386	9,648	18,326	**53,171**
Derivative financial instruments	4,067	–	–	–	**–**
Financial assets at fair value through profit or loss	–	–	–	–	**220,650**
Held for trading investments	–	–	367,862	311,754	**–**
Tax recoverable	1,372	5,102	1,744	7,924	**12,519**
Structured deposits	165,059	26,313	–	–	**–**
Restricted bank balances	2,698	875	9,364	8,303	**139,100**
Bank balances and cash	1,599,028	1,447,508	1,808,298	1,406,959	**1,438,339**
	3,403,020	2,838,522	3,820,972	4,556,941	**5,575,315**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Current liabilities					
Trade payables	280,647	266,529	427,780	753,902	**663,432**
Other payables and accruals	371,439	374,912	485,312	748,446	**455,651**
Receipt in advance from sales of properties under development	–	–	–	50,011	**–**
Contract liabilities	–	–	–	–	**567,740**
Variable-rate bank borrowing	937,912	250,000	1,047,636	1,316,799	**2,892,699**
Tax payable	45,327	40,034	64,636	72,892	**58,379**
Derivative financial instruments	3,006	–	–	–	**–**
	1,638,331	931,475	2,025,364	2,942,050	**4,637,901**
Net current assets	1,764,689	1,907,047	1,795,608	1,614,891	**937,414**
Total assets less current liabilities	4,457,399	4,713,633	5,486,380	6,528,689	**8,507,886**
Non-current liabilities					
Deferred tax liabilities	5,068	3,280	42,830	56,158	**130,086**
Variable-rate bank borrowing	–	–	27,294	23,909	**1,660,070**
Other Non-current liabilities	–	–	7,337	4,138	**1,667**
	5,068	3,280	77,461	84,205	**1,791,823**
	4,452,331	4,710,353	5,408,919	6,444,484	**6,716,063**
Capital and reserves					
Share capital	778,426	774,745	1,530,256	1,531,511	**1,529,249**
Reserves	3,617,324	3,937,591	3,508,286	4,431,706	**4,693,988**
Equity attributable to owners of the Company	4,395,750	4,712,336	5,038,542	5,963,217	**6,223,237**
Non-controlling interest	56,581	(1,983)	370,377	481,267	**492,826**
	4,452,331	4,710,353	5,408,919	6,444,484	**6,716,063**