MANWAH

MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

Annual Report ***2020***

Home essential

First Class Experience

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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
Ms. Yang Huiyan

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
Ms. Yang Huiyan

REMUNERATION COMMITTEE

Mr. Ding Yuan *(Chairman)*
Mr. Wong Man Li
Mr. Chau Shing Yim, David
Mr. Kan Chung Nin, Tony
Ms. Yang Huiyan

COMPANY SECRETARY

Mr. Tsang Hoi Lam (Resigned on 15 January 2020)
Ms. Fu Ying (Appointed on 15 January 2020)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
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

Directors' Biographies

Executive Directors

Mr. Wong Man Li, aged 55, 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 57, 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, our executive Director. She joined our Group in 1992 and was appointed as 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 49, 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 32 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 47, 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), Remaco Machinery Technology (Wujiang) Co., Ltd. (鋭邁機械科技(吳江)有限公司), Chongqing Man Wah Furniture Manufacturing Co., Ltd. (重慶敏華傢具製造有限公司) and Man Wah Furniture (China) Co., Ltd. (敏華傢具(中國)有限公司). Mr. Dai is also a general manager of the manufacturing center of the Group. He is responsible for the Group's manufacture of furniture. Mr. Dai has over 22 years of experience in the furniture industry.

Ms. Wong Ying Ying, aged 33, 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 member of Tianjin's Political Consultative Conference, a committee member of the All-China Youth Federation, the vice-chairman of Dynamic Youth of Huizhou Ltd, vice- chairman of Kwai Tsing Volunteer Develop Team, honorary chairman of Shatin District Junior Police Call, member of the Y. Elites Association, honorary chairman of Shatin Sports Association, youth member of HK Industrial & Commercial Association Ltd, Youth Link and youth member of HK Young Industrialists Council and youth member of Jiangsu Youth Federation. She graduated from the University of Wisconsin Madison, Wisconsin, United States of America in 2009 with bachelor's degrees in both Marketing and Sociology. Ms. Wong Ying Ying is also a director of Man Wah Investments Limited, the controlling shareholder of the Company.

Ms. Yang Huiyan, aged 40, had served as a deputy chief accountant for 10 years in Guangzhou Automobile Group Company Limited, the shares of which have been listed on both Shanghai Stock Exchange (stock code: 601238) and the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")(stock code: 2238). Prior to that, she served as an assistant manager in Ernst & Young Hua Ming (Shenzhen) from September 2003 to 2008. She received a double bachelor degree in Financial Management and English language and literature from Guangdong University of Foreign Studies in 2003. Ms. Yang is a senior member of the Chinese Institute of Certified Public Accountants, and a member of Association of International Accountants.

Independent non-executive Directors

Mr. Chau Shing Yim, David, aged 57, has over 20 years of experience in corporate finance. He 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 also an independent non-executive director of BC Technology 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). 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, and Asia Grocery Distribution Limited (Stock Code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Stock Exchange of Hong Kong.

Mr. Ong Chor Wei, aged 50, 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 and a non-executive director of Joyas International Holdings Limited, both of which are 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) from 2014 to September 2019. 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. 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 69, LL.B., P.C.LL., BBS, SBS, JP, is our independent non-executive Director since 20 May 2013. Mr. Kan is also a member of the Company's audit committee, nomination committee and remuneration committee. He is the Founder and Senior Consultant of Tony Kan & Co., Solicitors & Notaries, practising as a Solicitor of the Supreme Court of Hong Kong since 1982. He is also a Solicitor of the Supreme Court of England and Wales, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory, as well as Advocate and Solicitor of the Supreme Court of the Republic of Singapore. He is also a China Appointed Attesting Officer and a Notary Public. Mr. Kan is currently a Committee Member of the National Committee of the Chinese People's Political Consultative Conference and was a Committee Member of the Guangdong Committee of the Chinese People's Political Consultative Conference for three consecutive terms. Mr. Kan had been an Elected Member of the Sha Tin District Council from 1985 to the end of 2011. He had also been an Elected Member of the Regional Council and he was elected as Vice Chairman of the Council in July 1997 until its dissolution at the end of 1999. Since 1988, Mr. Kan has served as a Councillor of Heung Yee Kuk in the New Territories and is currently an Ex 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 is an independent non-executive director of Nameson Holdings Limited (stock code: 1982), Shenzhen Investment Holdings Bay Area Development Company Limited and Kimon Environment Holding Limited (stock code: 6805). He has been the chairman as well as non-executive director of Midland IC&I Limited (stock code: 459) since October 2016 to October 2019. The above mentioned companies are listed on the main board of the Stock Exchange. He has served appointed as a vice chairman of the board of directors of DBG Technology Co. Ltd, (Stock Code: 300735).

Mr. Ding Yuan, aged 50, is our independent non-executive Director since 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) from 2013 to May 2019, 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 twenty 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

	FY2020 HK$000	FY2019 HK$000	FY2018 HK$000	FY2017 HK$000 (Restated)	FY2016 HK$000
Revenue	**12,144,299**	11,257,792	10,026,573	7,779,015	7,327,590
Gross profit margin	**36.4%**	34.1%	37.3%	41.9%	39.5%
Selling and administrative expense/revenue	**21.6%**	20.9%	21.3%	19.8%	21.5%
Operating profit margin	**14.8%**	13.2%	16.0%	22.1%	18.0%
Profit attributable to owners of the Company	**1,638,069**	1,363,801	1,535,908	1,752,370	1,327,244
Net profit margin	**13.5%**	12.1%	15.3%	22.5%	18.1%
Basic EPS (HK$ cents)	**42.89**	35.62	40.22	45.64	34.15
Diluted EPS (HK$ cents)	**42.87**	35.60	40.04	45.47	33.89
Interim dividend (HK$ cents)	**7.0**	6.0	13.0	14.0	8.0
Proposed final dividend (HK$ cents)	**12.0**	6.0	12.0	14.0	9.5
Dividend payout ratio	**44.3%**	33.7%	62.1%	61.0%	51.0%
Inventory days	**69.6**	61.0	52.8	54.8	57.3
Account receivable days	**37.9**	36.7	29.0	28.9	30.3
Account payable days	**38.5**	34.9	34.3	28.0	22.6
Total assets	**13,213,802**	13,145,787	9,470,739	7,511,744	5,645,108
Total liabilities	**5,981,106**	6,429,724	3,026,255	2,102,825	934,755
Total equity	**7,232,696**	6,716,063	6,444,484	5,408,919	4,710,353
Cash and cash equivalents	**2,020,245**	1,438,339	1,409,959	1,808,298	1,447,508
Return on equity[1]	**24.4%**	21.9%	25.8%	34.8%	28.2%
Return on assets[2]	**12.4%**	10.4%	16.2%	23.4%	23.5%

Notes:

1. Return on equity = Profit attributable to owners of the company/Equity as 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 2017 ("FY2017"), the company had issued bonus share on the basis of one bonus share for every one existing share 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.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Man Wah Holdings Limited ("Man Wah" or the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 ("FY2020", the "Review Period" or the "Current FY").

DEAR INVESTORS AND SHAREHOLDERS,

BUSINESS REVIEW:

The past financial year was an extraordinary year as we experienced the impact from the external macro environment twice. In May 2019, the United States imposed a 25% tariff for some Chinese export companies, leading to a dramatic fall in our orders from North America. Under the tremendous pressure, we quickly expanded the production capacity of our Vietnam factory to achieve a stable supply in the North American market, thereby turning adversity into opportunity. At the beginning of 2020, the outbreak of the novel coronavirus (COVID-19) had a huge impact on the global economy. We took the first-mover advantage of new retail by using live streaming to boost online sales while driving offline sales, achieving growth amid stability in China during the epidemic.

For the Chinese market, we made a lot of product innovations, refined internal operation management, and visualized manufacturing and production processes to further improve productivity in the past year. Our recliner sofa products are becoming more diversified and younger in appearance and more suitable for Chinese families. With the increasing influence of the CHEERS brand in the Chinese market, consumers have more experience with recliner sofas and the penetration rate of recliner sofas in this market has rapidly increased. The past year witnessed a strong growth momentum in our recliner sofa sales in the Chinese market. Our share in the recliner sofa market even exceeded 50% and continued to maintain its leading position in this field, according to a third-party report.

2019 was a challenging year for our North American market. Faced with uncertainties such as the Sino-US trade war and epidemic, we quickly responded through efforts of all the staff. In more than a year until now, our factory in Vietnam has been able to achieve approximately 90% of its previous North American shipments, greatly reducing the possible subsequent impact of the Sino-US friction on the industry. We expedited recruitment and ramped up production capacity in the difficult aftermath, which is conducive for us to further raise its core barriers to competition and increase the export volume and market share in overseas markets.

For European and other overseas markets (excluding Home Group, and its subsidiaries), the Group strived to provide more personalized, diversified, and competitive products in a highly competitive environment and registered good growth in sales revenue in Europe in FY2020. Home Group and its subsidiaries had decreased revenue and increased profit before tax. We will continue to increase the production, sale, and market share of recliner sofas of Home Group.

In terms of management, we focus on making continuous improvement of product quality, step up in product innovation, and have built a research and development team for recliner sofas with Chinese characteristics. We keep launching new products to lead the trend of China's recliner sofa market. In terms of internal operations, we have been advancing with the times and introduced a VR system, creating more abundant, diverse and convenient purchasing scenarios for consumers. At the same time, we also refine internal management and visualize internal production processes to further enhance our operating efficiency. We strive to build CHEERS into a reliable well-known recliner sofa brand and make us a trustworthy company for our investors and partners.

PROSPECTS:

The Group will continue to strengthen its core competitiveness and branding in recliner sofa and maintain its absolute leading position in the industry. It keeps increasing self-production of components through its subsidiaries to lower product costs. Meanwhile, it further improves the innovation and intelligent automation of iron frames and motors, further increasing our core competitiveness.

Also through the upgrading of core components, we will continue to create more suitable recliner sofa products for consumers. With recliner sofas as our main business, we have continuously expanded this portfolio to include categories such as non-recliner sofas, mattresses, and smart electric beds. We have a line of high-end, mid-range, and low-end products to meet the needs of a broad range of consumers.

With the increased penetration of recliner sofas in the Chinese market, we believe that China's recliner sofa market has great potential. Sales methods such as new retail and live streaming have also helped accelerate experience enhancement, increase exposure and convert some shoppers into buyers for large household consumer products. In terms of new retail, we built an online platform as early as in 2015. With an eye on the development trend of the consumer market, it keeps improving the building of a new retail network, developing its people and upgrading its products. At the same time, we continuously improve its product updates and customer experience at offline stores to facilitate online and offline integration in the new era of competition. In the coming few years, we will combine our advantages in products, brands and channels to push our recliner sofa market share even higher.

Our North American market has been tested by the trade war and COVID-19. The basic transfer of production capacity to the Vietnam factory has helped on eliminating the impact of the uncertainty caused by the trade war and develop the core competitiveness of shipments from this foreign factory. With the end of the epidemic and the recovery of the economy, the North American recliner sofa market will gradually pick up and we will maintain good development momentum in a more competitive environment.

As for European and other overseas markets, we will provide more diversified and competitive products, proactively identify and develop more new customers, and sustain steady growth in these markets.

APPRECIATION:

On behalf of the Board of Directors, I would like to express my gratitude to all of our shareholders, partners, consumers and employees for their support in the past year. I believe that adversity makes a good company even stronger. No matter how the future changes, we will continue to work hard to forge ahead in our markets, improve the Company from inside to reward shareholders with better performance, and make more contributions to society.

Wong Man Li
Chairman
Man Wah Holdings Limited

MARKET REVIEW

During the Review Period, the Group accelerated the expansion of production in Vietnam to reduce the impact of the trade war. Our North American business gradually recovered and began to resume good growth in the later period (before the epidemic). Meanwhile, the Group strengthened sales in the Chinese market and achieved rapid growth in the sales volume and sales revenue of sofas in the market thanks to strategies such as online and offline integration, product innovation, and diversified sales channels. According to the latest market research report released by Frost & Sullivan in April 2020, the retail sales of the global recliner sofa market increased by 6.8% to US$25.1 billion. The Group once again ranked the first in the global sales volume of recliner sofas.

China Market

During the Review Period, the Chinese market was still facing challenges, but the overall economy stabilized for a short term due to the outbreak of COVID-19. The living consumption expenditure of urban residents grew at a faster rate than the consumption expenditure of other categories, and the recliner sofa sub-category became the main driving force for sofa growth. In 2019, the GDP of China reached approximately RMB99.1 trillion, a real growth of 6.1% while the per capita consumption expenditure of the Chinese urban population reached approximately RMB28,100, an increase of 7.5% from 2018, according to data released by the National Bureau of Statistics of China. The per capita living consumption expenditure was RMB5,055, up by 8.8% from 2018, accounting for 23.4% of the per capita consumption expenditure. In the past year, the demands of consumers were changing from basic needs to high-quality living and consumption needs due to their increased per capita disposable income. There was a significant increase in spending in the improvement of living conditions, daily necessities, and healthcare. According to the latest market research report released by Frost & Sullivan in April 2020, the retail sales of China's sofa market increased slightly by 4.2% in 2019, and the overall industry was not very concentrated. In FY2020, there was a substantial growth of 18.6% in the retail sales volume of recliner sofas and an increase of 11.6% in their retail sales revenue in China, much higher than the growth rate of the sofa market in China. China's recliner sofa market in 2019 is still dominated by one major player followed by a few comparatively smaller but strong players. The market share of the CHEERS brand under Man Wah rose from 45.3% in 2018 to 50.1% in 2019, representing a faster pace towards the market leading position.

US Market

During the Review Period, Sino-US economic and trade relations suffer repeated setbacks, and the Federal Reserve also changed its monetary policy. The United States' nominal GDP reached approximately US$21.4 trillion in 2019. According to data from the Bureau of Economic Analysis of the United States, the compound annual growth rate (CAGR) of American personal consumption expenditures on furniture and household appliances was 5.2% from 1929 to 2018, higher than the 3.2% growth rate of the US GDP during the same period. In other words, the United States' consumer spending on furniture and household appliances grew faster than its GDP. According to the latest market research report released by Frost & Sullivan in April 2020, the retail sales of the US sofa market reached approximately US$28.5 billion in 2019, a slight increase of 3.6% as compared to 2018. The retail sales of the recliner sofa market increased by approximately 4.3% to approximately US$11.8 billion in 2019, higher than the 3.6% growth in the retail sales of the US sofa market during the same period. The Group maintained the second place among recliner sofa players in the US with the market share of 10.8% in 2019 (10.7% in calendar year 2018). The Group will strive to obtain a bigger share and increased revenue in future competition by leveraging its advantages in large-scale production capacity, quality and cost.

Europe and Other Overseas Markets

The European market continued to face the growth dilemma. Brexit, frequent labour strikes, and high government burdens posed huge challenges to European economic growth. According to the Eurostat, the real GDP in the Eurozone increased by 1.4% year-on-year in 2019. Given the intense competition in the European sofa market, we will provide more diversified and competitive products to increase our shares stably in the market as well as other overseas markets.

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. The Group also acquired a smart home product line to increase its share in the smart furniture R&D market and diversify its production lines.

BUSINESS OVERVIEW

During the Review Period, the Group benefited from its diversified market distribution. Despite challenges brought by Brexit and the global COVID-19 epidemic, the Group vigorously developed new retail business and continued to maintain positive revenue growth and the highest sales volume in the industry. 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 2020, the Group had a total of 2,874 "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 260. During the Review Period, sales from the China market (excluding other business) increase by approximately 12.1% 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.

In addition, the Group acquired a smart household product manufacturer in Guangdong during the Review Period, whose accounts have been included in the accounts of the Group's subsidiaries since 1 March 2020.

2 North America market

In the North American market, the overall market competition remained fierce. The Group quickly increased its market share by adjusting the product mix in a timely manner, strengthening the building of a sales team and launching new products. During the Review Period, revenue in the North America market decreased by approximately 15.4% 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 Brexit and the global COVID-19 epidemic. During the Review Period, excluding Home Group, the total sales from Europe and other overseas markets increased by 17.6%. For sofas, sales in Europe and other overseas markets increased by approximately 11.4%, including sales of sofas in the Europe decreased by approximately 2.8%. Sales of other products including smart furniture spare parts in Europe has increased by 43.3%. 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 9.7% 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 global epidemic.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2020	FY2019	Change (%)	**FY2020**	FY2019	**FY2020**	FY2019
Business of sofas and ancillary products	**8,155,269**	8,615,513	-5.3%	**67.2%**	76.5%	**38.7%**	37.2%
Other products	**2,453,102**	1,818,551	34.9%	**20.2%**	16.2%	**29.8%**	23.4%
Home Group business	**744,116**	823,728	-9.7%	**6.1%**	7.3%	**28.2%**	24.9%
Other business	**791,812**	–	100.0%	**6.5%**	–	**40.1%**	–
Total	**12,144,299**	11,257,792	7.9%	**100.0%**	100.0%	**36.4%**	34.1%

During FY2020, total revenue rose by approximately 7.9% to approximately HK$12,144,299,000 (FY2019: approximately HK$11,257,792,000). The overall gross profit margin increased from approximately 34.1% to approximately 36.4% year-on-year. The main reason for the increase of the gross profit margin was a reduction in the unit production cost thanks to economy of scale achieved by the capacity expansion of the Vietnam factory. On the other hand, sales prices had been adjusted for products of Home Group as their quality was well recognized by the market, which contributed to the increase of the gross profit margin.

During FY2020, the cost of goods sold rose by approximately 4.1% from the Last Corresponding Period.

During the Review Period, excluding Home Group business, the Group produced approximately 1,267,000 sets of sofa products (FY2019: approximately 1,226,000 sets), representing an increase of approximately 3.4% (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$8,155,269,000, representing a decrease of approximately 5.3% as compared with approximately HK$8,615,513,000 recorded in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$4,114,012,000, up by approximately 2.6% from approximately HK$4,009,855,000 (including partial revenue from other online categories) in the Last Corresponding Period.

During the Review Period, the Group's sales volume of sofas increased rapidly. 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 Group quickly secured China's recliner sofa market by lowering wholesale prices thanks to the vigorous promotion of its new retail initiatives.

1.2 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,326,760,000, down by approximately 16.1% compared with approximately HK$3,964,227,000 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$3,092,802,000, down by approximately 16.2% compared with approximately HK$3,692,595,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$211,794,000, decreased by approximately 17.9% compared with approximately HK$258,111,000 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$714,497,000, up by approximately 11.4% compared with approximately HK$641,431,000 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$309,840,000, down by approximately 2.8% compared with approximately HK$318,925,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$404,657,000, up by approximately 25.5% compared with approximately HK$322,506,000 from the Last Corresponding Period.

2 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$2,453,102,000, representing an increase of approximately 34.9% as compared with approximately HK$1,818,551,000 in the Last Corresponding Period.

2.1 Revenue from bedding stores reached approximately HK$1,239,786,000, up by approximately 133.5% compared with approximately HK$530,880,000 in the Last Corresponding Period.

2.2 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$62,598,000, up by approximately 14.3% from approximately HK$54,790,000 in the Last Corresponding Period.

2.3 Revenue from smart furniture parts reached approximately HK$1,150,718,000 (including approximately HK$746,534,000 from China market, approximately HK$181,094,000 from North America market, approximately HK$223,090,000 from Europe and other overseas market), down by approximately 6.7% from 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) in the Last Corresponding Period.

3 The Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK$744,116,000, down by approximately 9.7% compared with approximately HK$823,728,000 in the Last Corresponding Period.

4 Other business

During the Review Period, the real estate sales revenue of approximately HK$748,576,000 was recognised at the time when properties started to be transferred to their buyers. Other revenue came from the hospitality and furniture mall business.

Cost of goods sold

Cost of goods sold breakdown

	FY2020 HK$'000	FY2019 HK$'000	Change (%)
Cost of raw materials	**6,244,588**	5,967,818	4.6%
Labour costs	**1,133,692**	1,100,730	3.0%
Manufacturing overhead	**348,320**	352,146	-1.1%
Total	**7,726,600**	7,420,694	4.1%

Major raw materials	**Average unit cost year-on-year change (%)**
Leather	**-1.3%**
Metal	**-25.4%**
Wood	**-8.1%**
Fabric	**-2.0%**
Chemicals	**-27.4%**
Packaging paper	**-21.9%**

Other income

During FY2020, other income of the Group decreased by approximately 1.8% to approximately HK$413,794,000 (FY2019: approximately HK$421,424,000). The decrease was mainly due to the decrease in income on sale of industrial waste and structured deposits.

	FY2020 HK$'000	FY2019 HK$'000	Change (%)
Income from sale of industrial waste*	**120,177**	138,221	-13.1%
Government subsidies**	**163,014**	171,812	-5.1%
Income on structured deposits***	**3,764**	10,238	-63.2%
Interest income	**58,897**	53,204	10.7%
Others	**67,942**	47,949	41.7%
Total	**413,794**	421,424	-1.8%

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 1.0% of total income (sale of industrial waste accounted for approximately 1.2% 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 FY2020, other gains and losses of the Group amounted to gains of approximately HK$56,724,000 (the Last Corresponding Period: losses of approximately HK$102,596,000). The aforesaid gains in the Review Period mainly come from exchange gains of approximately HK$68,000,000 (Last Corresponding Period: the loss from fair value change of financial assets at fair value through profit or loss of HK$91,104,000).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 10.8% from approximately HK$1,806,183,000 in FY2019 to approximately HK$2,001,747,000 in FY2020. Selling and distribution expenses as a percentage of revenue increased from approximately 16.0% in FY2019 to approximately 16.5% in FY2020. The increase was mainly attributable to the following:

(a) Advertising, promotion and brand building expenses increased by approximately 34.2% from approximately HK$211,430,000 to approximately HK$283,643,000, and their percentage in revenue increased from approximately 1.9% to approximately 2.3%. Among the expenses, promotion expenses increased by approximately 98.9% from approximately HK$100,288,000 to approximately HK$199,449,000, and their percentage in revenue increased from approximately 0.9% to approximately 1.6%;

(b) Salaries, welfare and commissions of sales staff increased by approximately 17.7% from approximately HK$283,923,000 to approximately HK$334,187,000, and their percentage in revenue increased from approximately 2.5% to approximately 2.8%;

(c) Domestic transportation expenses increased by approximately 4.0% from approximately HK$243,510,000 to approximately HK$253,321,000. Domestic transportation expenses as a percentage of revenue of approximately 2.2% in last year decreased to approximately 2.1%;

(d) Custom duties imposed on goods exported to U.S. rose by approximately 9.2% from approximately HK$99,480,000 to approximately HK$108,613,000 and accounted for approximately 0.9% of revenue;

(e) Network service expenses increased by approximately 55.2% from approximately HK$40,645,000 to approximately HK$63,093,000, and their percentage in revenue increased from approximately 0.4% to approximately 0.5%;

Administrative and other expenses

Administrative and other expenses increased by approximately 13.1% from approximately HK$550,242,000 in FY2019 to approximately HK$622,084,000 in FY2020. As a percentage of revenue, administrative and other expenses were approximately 5.1% (FY2019: approximately 4.9%).

Income tax expense

Income tax expense increased by approximately 34.0% from approximately HK$311,351,000 in FY2019 to approximately HK$417,247,000 in FY2020. The proportion of income tax expense to profit before tax increased from approximately 18.1% in FY2019 to approximately 19.8% in FY2020.

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 20.1% from approximately HK$1,363,801,000 in FY2019 to approximately HK$1,638,069,000 in FY2020. The net profit margin of the Group increased from approximately 12.1% in FY2019 to approximately 13.5% in FY2020. The increase in profit attributable to owners of the Company and net profit margin was mainly due to increase of the gross profit margin from approximately 34.1% in FY2019 to approximately 36.4% in FY2020.

Dividends

The Board has proposed a final dividend of HK12.0 cents per share for the FY2020. During the FY2020, the Board has already declared and paid an interim dividend of HK7.0 cents per share. Total dividends declared for FY2020 accounted for approximately 44.3% of the profit attributable to owners of the Company.

Working capital

As at 31 March 2020, the Group's bank balances and cash were approximately HK$2,020,245,000.

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 2020, the Group's short-term borrowings amounted to approximately HK$3,277,499,000 and long-term borrowings amounted to approximately HK$701,786,000. The Group's major bank borrowings denominated in HKD and RMB carry interest at fixed and variable rates. The fixed rates are ranging from 3.60% to 4.35% (2019: 4.25% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.58% to 3.56% (2019: 2.43% to 3.40%), 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 2.10% to 3.15% (2019: 1.50% to 4.18%). The weighted average effective interest rate of the above variable-rate and fixed- rate bank borrowings was 3.01% and 4.09%, respectively (2019: 2.93% and 4.33%, respectively), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2020, the Group's current ratio was approximately 1.1 (31 March 2019: approximately 1.2). As at 31 March 2020, the Group's gearing ratio was approximately 59.4% (31 March 2019: approximately 73.2%), which is defined as total borrowings divided by total equity attributable to owners of the Group. The decrease of the gearing ratio compared with 2019 is mainly because the Vietnam factory was completed and put into operation in the first half of 2019 and loans decreased accordingly due to the resulting lower capital expenditure.

Allowance for inventories

For FY2020, the Group provided impairment allowance for inventories of approximately HK$24,398,000 (FY2019: reversed impairment allowance of approximately HK$1,258,000).

Impairment loss on trade and other receivables

For FY2020, the Group provided impairment loss on trade and other receivables of approximately HK$3,527,000 (FY2019: approximately HK$738,000).

Pledge of assets

As at 31 March 2020, there was approximately HK$23,636,000 restricted bank balances. As of 31 March 2020, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant and equipment with book value of approximately HK$25,880,000 (FY2019: HK$104,963,000) and inventories with book value of approximately HK$13,041,000 (FY2019: HK$15,890,000).

Capital commitments and contingent liabilities

Save as disclosed in note 32, the Group did not have any material capital commitment as at 31 March 2020.

As at 31 March 2020, 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. 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

Save as disclosed herein, the Group did not have any significant investment or material acquisitions or disposals of subsidiaries, associates or joint ventures during the FY2020. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group currently do not have any plan for material investments or capital assets in the coming year.

Human Resources

As at 31 March 2020, the Group had 22,041 employees (31 March 2019: 19,179 employees). The increase of number of employees are mainly resulted from the expansion 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 FY2020, the total staff cost for the Group amounted to approximately HK$1,729,151,000 (FY2019: approximately HK$1,627,415,000), of which approximately HK$15,905,000 (FY2019: approximately HK$15,994,000) 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.

Environmental, Social and Governance Report

INTRODUCTION

Man Wah Holdings Limited ("Man Wah" or the "Company") has been persistent in the pursuit of its corporate value of "fulfilling social responsibility, to achieve sustainable development," and strived to promote the environment in the community and green recycling economic development, while adhering to the 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 2020 ("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 prior 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 38,440 tonnes ($CO2$ equivalent emissions) (2019: 34,253 tonnes) during the Current FY. Indirect emissions other than electricity were minimal.

Greenhouse gases emission	2020	2019
Total Greenhouse gases emission (tonnes)	**48,969**	44,442
Total Greenhouse gases emission per employee (tonnes per employee)	**2.69**	2.87
Direct emissions (tonnes)	**0**	–
Indirect emissions (tonnes)	**48,969**	44,442
Quantity of purchased Electricity ('000 KWh)	**54,334**	45,041
Emission factor (kg/kWh)	**0.73**	0.99

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 45,330 tonnes (2019: 43,882 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 FY2020, total electricity consumption of the Group's sofa production bases in China was approximately 66,900,000 kWh, an increase of approximately 9.8% as compared to the Last Corresponding Period. Total water consumption was about 781,765 tons, decreased by approximately 7.5% as compared to the Last Corresponding Period about 844,969 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 2020**	Total Consumption in 2019
Total electricity consumption (excluding the solar power panels)	'000 KWh	**54,334**	45,041
Electricity consumption per capita	'000 Kwh/per person	**3.67**	3.93
Consumption of non-renewable fuels	L	**228,561**	865,832
Consumption per capita	L/per person	**12.55**	55.88
Total water consumption	m^3	**781,765**	844,969
Water consumption per capita	m^3/per person	**42.94**	54.54

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 23,352 tons (2019: 22,063 tons) in total and approximately 18 kg (2019: 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 16,249,650 kWh from photovoltaic systems, representing approximately 24.3% of the total electricity consumption of sofa production bases as compared to the Last Corresponding Period of 35.2%.

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, in strict accordance with the law of the PRC on 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, in strict accordance with the law of the PRC on Product Quality and Protection of the rights and Interests of Consumers, and the Advertisement Law, 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 FY2020, 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 FY2020, 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 and prevention of child and forced labour 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 FY2020, the number of lost working days due to work-related injuries fell by approximately 9.2% as compared with FY2019.

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$8.46 million (Last Corresponding Period: approximately HK$7.22 million), details of which are as follows:

(1) For junior staff:

* offer training classes for production leaders, which have cultivated nearly 318 (295 in the Last Corresponding Period) outstanding team leaders during the Review Period, and have trained accumulatively more than 2,264 outstanding team leaders within the past five years;

(2) For store sales:

offer classes to junior business representatives and regional training classes, which have cultivated 6,490 outstanding business representatives (1,302 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 2,401 franchisees and store managers during the Review Period (2,013 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 68 employees (0 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 17 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 more than RMB4,560,000) to ten groups of applicants (299 employees in total) since its founding in May 2010. A total of approximately RMB491,000 has been granted to 39 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 6,388,000 share options to 917 officers at the manager level and above (Last Corresponding Period: the Company granted 14,719,200 share options to 591 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$12,363,000 towards public welfare (Last Corresponding Period: approximately HK$12,021,000).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Man Wah Holdings Limited (the "Company") has a policy of seeking to comply with established best practice in corporate governance. The board (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 2019, 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 (Resigned on 15 January 2020)	1/1
Ms. Yang Huiyan (Appointed on 15 January 2020)	0/0
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 (Resigned on 15 January 2020)	✓	✓
Ms. Yang Huiyan (Appointed on 15 January 2020)	✓	✓
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 2020, 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 five Board meetings were held and the attendance records are as follows:

Board	**Meetings attended/ Eligible to attend**
Executive Directors	
Mr. Wong Man Li *(Chairman)*	5/5
Ms. Hui Wai Hing	5/5
Mr. Alan Marnie	5/5
Mr. Dai Quanfa	5/5
Ms. Wong Ying Ying	5/5
Mr. Tsang Hoi Lam (Resigned on 15 January 2020)	4/5
Ms. Yang Huiyan (Appointed on 15 January 2020)	1/5
Independent Non-executive Directors	
Mr. Chau Shing Yim, David	5/5
Mr. Ong Chor Wei	5/5
Mr. Kan Chung Nin, Tony	4/5
Mr. Ding Yuan	4/5

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), 3.10(2) and 3.10A 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 62 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 2020, the Audit Committee consisted of four INEDs, namely, Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Ding Yuan and Mr. Kan Chung Nin, Tony. 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)	1/2

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 2020, 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 Ms. Yang Huiyan. 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 measurable 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 (Resigned on 15 January 2020)	1/1
Ms. Yang Huiyan (Appointed on 15 January 2020)	0/0

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 2020, 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 Ms. Yang Huiyan. 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)*	2/2
Mr. Wong Man Li	2/2
Mr. Chau Shing Yim, David	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Tsang Hoi Lam (Resigned on 15 January 2020)	1/2
Ms. Yang Huiyan (Appointed on 15 January 2020)	1/2

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 2020 with a term from 1 April 2020 until 31 March 2021.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is of the opinion that sound internal control and risk management systems will contribute to the effectiveness and efficiency of the operations of the Group and to the safeguard of the Group's assets as well as the Shareholders' investment.

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

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by reviewing and monitoring the internal control systems and processes annually so as to ensure that they can provide reasonable assurance against material errors of the Group. The Company has an internal audit function.

The Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

COMPANY SECRETARY

Mr. Tsang Hoi Lam was the Company Secretary of the Company from 28 May 2019 to 15 January 2020. Mr. Tsang Hoi Lam reported to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. Mr. Tsang Hoi Lam has confirmed that he has taken no less than 15 hours of relevant professional training during the Review Period.

Ms. Fu Ying has been appointed as the Company Secretary with effect from 15 January 2020.

AUDITOR'S REMUNERATION

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

During the review period, Deloitte Touche Tohmatsu ("Deloitte") has resigned as the auditor of the Company with effect from 13 March 2020 and Pricewaterhouse Coopers ("PwC") has been appointed as the auditor of the Company with effect from 13 March 2020 to fill the causal vacancy, following the resignation of Deloitte. For details of the change of auditors, please refer to the announcement of the Company dated 13 March 2020.

During the Review Period, the remuneration paid or payable to the Company's auditor, Messrs. PwC and Deloitte, are set out as follows:

Services rendered	**Paid/payable fee** HK$'000
Statutory audit services — PwC	2,900
Non-statutory audit services:	
Review of interim financial information — Deloitte	600
Others	418
	3,918

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

Directors' Report

The directors (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 36 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 comprehensive income on page 64 of this annual report.

An interim dividend of HK 7.0 cents per Share amounting to approximately HK$267,095,000 were paid to the shareholders of the Company ("Shareholders") during the Review Period. The Directors recommend the payment of a final dividend of HK 12.0 cents per Share to the Shareholders on the register of members on Monday, 13 July 2020, amounting to approximately HK$455,513,000.

PROPERTY, PLANT AND EQUIPMENT

During the Review Period, the Group revalued all of its investment properties as at 31 March 2020. The net decrease in fair value of investment properties, which has been credited directly to consolidated statement of comprehensive income, amounted to approximately HK$4,569,000.

Details of movements during the Review Period in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Review Period in the share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

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

	2020 **HK$'000**	2019 HK$'000
Contributed surplus	**–**	92,144
Retained earnings	**621,348**	814,720
	621,348	906,864

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
Ms. Yang Huiyan (appointed on 15 January 2020)

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. Wong Man Li and Ms. Hui Wai Hing will retire by rotation. Mr. Chau Shing Yim, David and Mr. Kan Chung Nin, Tony all being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on Friday, 3 July 2020.

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 2020, 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]	65.03%
	Spouse	2,481,600[2]	0.07%
	Beneficial owner	3,020,800[2]	0.08%
Ms. Hui Wai Hing	Beneficial owner	2,481,600[3]	0.07%
	Spouse	2,471,357,600[3]	65.11%
Mr. Alan Marnie	Beneficial owner	800,000[4]	0.02%
Mr. Dai Quanfa	Beneficial owner	1,430,000[5]	0.04%
Ms. Wong Ying Ying	Beneficial owner	2,176,000[6]	0.06%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,795,940,000 Shares issued as at 31 March 2020.

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 also held 2,427,200 Shares and 593,600 share options granted to him under the Share Option Scheme (as defined below), respectively. Upon exercise of those share options, Mr. Wong would directly own an aggregate of 3,020,800 Shares. Mr. Wong was also deemed, under Part XV of the SFO, to be interested in the 2,481,600 Shares in which Ms. Hui Wai Hing, the spouse of Mr. Wong, had a long position.

3. These 2,481,600 Shares represented the 1,956,000 Shares and the 525,600 underlying Shares upon the exercise of 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 2,481,600 Shares. Ms. Hui was also deemed, under Part XV of the SFO, to be interested in the 2,471,357,600 Shares in which Mr. Wong Man Li, the spouse of Ms. Hui, was interested.

4. This figure represents the aggregate number of 800,000 Shares interested in by Mr. Marnie by virtue of SFO, in which 400,000 Share Options granted to Mr. Marnie was exercised during the review period.

5. This figure represents the aggregate number of 500,000 Shares held by Mr. Dai who exercised the shares during the review period and 930,000 underlying shares upon the exercise of share options granted to Mr. Dai under the Share Option Scheme.

6. This figure represents the aggregate number of 1,821,600 Shares held by Ms. Wong and 354,400 underlying shares upon the exercise of share options granted to Ms. Wong under the Share Option Scheme.

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 2020, 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 2020 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 2020, 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	65.03%
東方證券股份有限公司	Interest in controlled corporation	226,617,559[2]	5.97%
上海東方證券資產管理有限公司	Beneficial owner	226,617,559[2]	5.97%

Notes:

1. The percentage of the Company's issued share capital is based on the 3,795,940,000 Shares issued as at 31 March 2020.

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 2020, 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, which had been expired on 4 March 2020.

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 was in force for a period of 10 years commencing on 5 March 2010, being the date of adoption of the Share Option Scheme, and having been ended on 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, no share options could be granted under the Share Option Scheme since the Share Option Scheme was expired on 4 March 2020. As at the date of expiry of the Share Option Scheme, the total number of shares available for issue under the Share Option Scheme is 31,449,200 shares, representing approximately 0.83% of the issued Share capital of the Company at that time.

For details of the new share option scheme to be adopted by the Company, subject to the shareholders' approval at the special general meeting on 3 July 2020, please refer to the circular of the Company dated 3 June 2020.

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 1.4.2019	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 31.3.2020
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
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	N/A	–	23,600	–	–	23,600
		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	N/A	–	23,600	–	–	23,600
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	N/A	–	22,800	–	–	22,800
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
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	N/A	–	18,400	–	–	18,400
		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	N/A	–	18,400	–	–	18,400
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	N/A	–	17,600	–	–	17,600
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)	–

					Number of Share Options[1]					
Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Adjusted Exercise price	Outstanding at 1.4.2019	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 31.3.2020
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
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	N/A	–	39,200	–	–	39,200
		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	N/A	–	39,200	–	–	39,200
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	N/A	–	39,200	–	–	39,200
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
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	N/A	–	12,800	–	–	12,800
		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	N/A	–	12,800	–	–	12,800
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	N/A	–	12,800	–	–	12,800
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)	–	–

Grantee	Date of grant[2]	Vesting period	Exercisable period	Exercise price per share	Adjusted Exercise price	Number of Share Options[1] Outstanding at 1.4.2019	Granted during the Review Period	Cancelled/ Lapsed during the Review Period	Exercised during the Review Period	Outstanding at 31.3.2020
Other employees	10.2.2015	10.2.2015–9.2.2018	10.2.2018–9.2.2020	6.72	3.36	1,132,000	–	(42,400)	(1,089,600)	–
	26.1.2016	26.1.2016–25.1.2018	26.1.2018–25.1.2020	8.92	4.46	1,515,200	–	(95,200)	(1,420,000)	–
		26.1.2016–25.1.2019	26.1.2019–25.1.2021	8.92	4.46	7,116,800	–	(576,800)	(2,197,600)	4,342,400
	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	1,667,200	–	(247,200)	(175,200)	1,244,800
		13.1.2017–12.1.2020	13.1.2020–12.1.2022	5.17	N/A	1,666,400	–	(249,200)	(38,400)	1,378,800
		13.1.2017–12.1.2021	13.1.2021–12.1.2023	5.17	N/A	1,669,600	–	(259,600)	–	1,410,000
	12.2.2018	12.2.2018–11.2.2020	12.2.2020–11.2.2022	7.18	N/A	1,398,800	–	(195,600)	–	1,203,200
		12.2.2018–11.2.2021	12.2.2021–11.2.2023	7.18	N/A	1,387,200	–	(194,000)	–	1,193,200
		12.2.2018–11.2.2022	12.2.2022–11.2.2024	7.18	N/A	1,247,600	–	(173,200)	–	1,074,400
	28.1.2019	28.1.2019–27.1.2021	28.1.2021–27.1.2023	3.91	N/A	4,453,600	–	(662,800)	–	3,790,800
		28.1.2019–27.1.2022	28.1.2022–27.1.2024	3.91	N/A	4,444,800	–	(660,800)	–	3,784,000
		28.1.2019–27.1.2023	28.1.2023–27.1.2025	3.91	N/A	4,239,600	–	(634,800)	–	3,604,800
	17.1.2020	17.1.2020–16.1.2022	17.1.2022–16.1.2024	6.53	N/A	–	2,174,400	(33,200)	–	2,141,200
		17.1.2020–16.1.2023	17.1.2023–16.1.2025	6.53	N/A	–	2,115,600	(31,200)	–	2,084,400
		17.1.2020–16.1.2024	17.1.2024–16.1.2026	6.53	N/A	–	1,817,600	(24,000)	–	1,793,600
						37,446,400	6,388,000	(6,564,400)	(5,820,800)	31,449,200
exercisable options before 31 March 2020										9,249,600

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) 10 February 2015, i.e. on 9 February 2015 was HK$6.41, (ii) 26 January 2016, i.e. on 25 January 2016 was HK$8.86, (iii) 27 January 2016, i.e. on 26 January 2016 was HK$8.56, (iv) 26 May 2016, i.e. on 25 May 2016 was HK$9.92, (v) 13 January 2017, i.e. on 12 January 2017 was HK$5.14, (vi) 12 February 2018, i.e. on 11 February 2018 was HK$6.80, (vii) 28 January 2019 i.e. on 25 January 2019 was HK$3.79 and (viii) 17 January 2020, i.e. on 16 January 2020 was HK$6.48.

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$5.59.

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 2020, 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 2020.

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 33 to the consolidated financial statements fall under the definition of "continuing connected transaction(s)" in Chapter 14A of the Listing Rules, which are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions", 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 or the controlling Shareholder of the Company had a material interest, whether directly and indirectly, subsisted at the end of 31 March 2020 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 12.54% and 20.70% of the total revenue and purchases for the year, respectively. The Group's largest customer accounted for around 4.47% of the total revenue for the year. The Group's largest supplier accounted for around 10.31% 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 10 to the consolidated financial statements.

DONATIONS

During the Review Period, the Group made charitable and other donations amounting to approximately HK$12,363,000 (FY2019: HK$12,021,000).

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 FY2020, the Company repurchased a total of 33,003,600 ordinary shares of the Company at an aggregate purchase price of approximately HK$154,140,294.8 (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**	
		(HK$)	(HK$)	(Approx. HK$'000)
September 2019	10,450,800	4.80	3.73	47,892
January 2020	5,536,800	6.53	5.41	32,483
March 2020	17,016,000	4.72	3.87	73,766
Total	33,003,600			154,141

All 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 2019, 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 50 to 54 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

Messrs. PricewaterhouseCoopers was appointed as auditor of the Company with effect from 13 March 2020 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting of the Company. Save as disclosed above, there were no other changes in the auditor of the Company during the past three years.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers 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:

Ms. Yang Huiyan is a director of certain subsidiaries of the Group.

Ms. Wong Ying Ying is a director of certain subsidiaries of the Group. 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. Kan Chung Nin, Tony has been appointed as a member of Audit Committee of the Company since 28 May 2019 and he has been appointed as an independent non-executive director of Kimou Environment Holding Limited (stock code: 6805) since 18 June 2019.

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
15 May 2020

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Man Wah Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 149, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2020, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill
- Impairment assessment of trade and bills receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to Notes 2.12 and 2.13 (Accounting policies), Note 4(iv) (Critical accounting estimates and assumptions) and Note 17 (Intangible assets) to the consolidated financial statements. We identified the impairment assessment of goodwill as a key audit matter due to the significant judgement and estimates involved in the goodwill assessment by management of the Group. The carrying amount of goodwill as at 31 March 2020 was approximately HK$524,048,000. The goodwill impairment assessment involved significant management judgement and estimates in the determination of valuation model and the application of assumptions in the model, including discount rates and revenue growth rates, in estimating the value in use of the cash generating units to which goodwill has been allocated. Based on management's assessment, there is no impairment of goodwill as at 31 March 2020.	Our procedures in relation to the impairment assessment of goodwill included: • Assessing the appropriateness of the valuation methodologies used by management based on our industry knowledge and relevant market practice; • Evaluating the assumptions underpinning the discounted cash flow models, including discount rates by comparing rates used by other comparable companies and revenue growth rates by reference to the budget of the Group as well as industry trend; • Considering management's sensitivity analysis with respect to variations of key assumptions adopted, to evaluate the extent to which reasonably possible changes, both individually and in aggregate, would result in outcomes of the impairment assessment; and • Evaluating the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current period. Based on the above, we found management's judgement and estimates involved in the impairment assessment of goodwill to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment assessment of trade and bills receivables

Refer to Notes 2.15 and 2.17 (Accounting policies), Note 3.1 (Credit risk), Note 4(iii) (Critical accounting estimates and assumptions) and Note 22 (Trade and bills receivables) to the consolidated financial statements.

We identified impairment assessment of trade and bills receivables as a key audit matter due to the involvement of significant management judgement and 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 2020, the Group's gross trade and bills receivables amounted to approximately HK$1,215,294,000 and the provision for ECL of trade and bills receivable amounted to approximately HK$4,540,000.

Management of the Group estimated the lifetime ECL of trade and bills receivables through grouping of various debtors that have similar loss patterns, after considering credit profile of different customers, repayment history and past due status of respective trade and bills receivables.

Estimated loss rates are based on historical loss rates over the expected life of the trade debtors and are adjusted for forward-looking factors such as changes of macroeconomic. The Group recognized an amount of HK$3,527,000 of provision for impairment of trade and bills receivables for the year ended 31 March 2020.

Our procedures in relation to impairment assessment of trade and bills receivables included:

- Understanding the key controls of management's assessment over the provision for impairment of trade and bills receivables;
- Testing the trade and bills receivables ageing analysis as at 31 March 2020, on a sampling basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents;
- Evaluating management's basis in developing the ECL model;
- Assessing the reasonableness of the historical loss rates used in the ECL model by corroborating the credit profile of the respective customers with their historical settlement pattern; and
- Evaluating the forward-looking information used by management by comparing against publicly available economic information.

Based on the above, we found management's judgement and estimates involved in the impairment assessment of trade and bills receivables to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 scepticism 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 May 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**12,144,299**	11,257,792
Cost of goods sold	8	**(7,726,600)**	(7,420,694)
Gross profit		**4,417,699**	3,837,098
Other income	6	**413,794**	421,424
Other gains/(losses), net	7	**56,724**	(102,596)
Selling and distribution expenses	8	**(2,001,747)**	(1,806,183)
Administrative and other expenses	8	**(622,084)**	(550,242)
Operating profit		**2,264,386**	1,799,501
Finance costs	9	**(155,947)**	(79,345)
Share of results of joint ventures		**805**	(4,129)
Profit before income tax		**2,109,244**	1,716,027
Income tax expense	11	**(417,247)**	(311,351)
Profit for the year		**1,691,997**	1,404,676
Other comprehensive income/(loss):			
Item that will not be reclassified subsequently to profit or loss			
Revaluation gain, net of tax:			
— Property, plant and equipment		**–**	8,373
Item that may be reclassified to profit or loss			
Currency translation differences		**(559,868)**	(446,909)
Other comprehensive loss for the year, net of tax		**(559,868)**	(438,536)
Total comprehensive income for the year		**1,132,129**	966,140
Profit for the year attributable to:			
Owners of the Company		**1,638,069**	1,363,801
Non-controlling interests		**53,928**	40,875
		1,691,997	1,404,676

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,097,813**	966,559
Non-controlling interests		**34,316**	(419)
		1,132,129	966,140
Earnings per share attributable to owners of the Company			
— Basic (HK cents per share)	12	**42.89**	35.62
— Diluted (HK cents per share)	12	**42.87**	35.60

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**3,949,987**	3,798,748
Investment properties	15	**455,215**	485,110
Right-of-use assets	14	**2,228,518**	–
Lease premium for land	16	**–**	2,429,180
Goodwill	17	**524,048**	525,904
Other intangible assets	17	**188,440**	222,033
Interests in joint ventures	18	**29,673**	30,859
Deferred tax assets	19	**12,031**	3,708
Deposit paid for a land lease		**3,692**	3,944
Prepayments and deposits paid for acquisition of property, plant and equipment		**156,023**	70,986
		7,547,627	7,570,472
Current assets			
Inventories	20	**1,532,993**	1,413,563
Properties held for sale		**48,227**	–
Properties under development	21	**149,410**	433,471
Trade and bills receivables	22	**1,210,754**	1,309,685
Other receivables and prepayments	22	**470,341**	554,817
Lease premium for land	16	**–**	53,171
Financial assets at fair value through profit or loss	23	**204,682**	220,650
Tax recoverable		**1,941**	12,519
Structured deposits		**3,946**	–
Restricted bank balances	24	**23,636**	139,100
Cash and cash equivalents	24	**2,020,245**	1,438,339
		5,666,175	5,575,315
Total assets		**13,213,802**	13,145,787
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**1,518,376**	1,529,249
Reserves		**5,185,771**	4,693,988
		6,704,147	6,223,237
Non-controlling interests		**528,549**	492,826
Total equity		**7,232,696**	6,716,063

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	**29,533**	–
Bank borrowings — non-current portion	27	**701,786**	1,660,070
Deferred tax liabilities	19	**128,896**	130,086
Other non-current liabilities		**1,333**	1,667
		861,548	1,791,823
Current liabilities			
Trade and bills payables	25	**967,090**	663,432
Other payables and accruals	25	**452,160**	455,651
Lease liabilities	14	**28,755**	–
Contract liabilities	26	**260,856**	567,740
Bank borrowings — current portion	27	**3,277,499**	2,892,699
Tax payable		**133,198**	58,379
		5,119,558	4,637,901
Total liabilities		**5,981,106**	6,429,724
Total equity and liabilities		**13,213,802**	13,145,787

The consolidated financial statements on pages 64 to 149 were approved by the Board of Directors on 15 May 2020 and were signed on its behalf.

WONG YING YING
Director

YANG HUIYAN
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	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$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 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
Comprehensive income													
Profit for the year	-	-	-	-	-	-	-	-	-	1,638,069	1,638,069	53,928	1,691,997
Other comprehensive income													
Currency translation differences	-	-	-	-	-	(540,256)	-	-	-	-	(540,256)	(19,612)	(559,868)
Total comprehensive income	-	-	-	-	-	(540,256)	-	-	-	1,638,069	1,097,813	34,316	1,132,129
Transactions with owners													
Repurchase of shares	(13,201)	(95,439)	-	-	-	-	-	-	-	(45,941)	(154,581)	-	(154,581)
Acquisition of a subsidiary (Note 30(a))	-	-	-	-	-	-	-	-	-	-	-	1,407	1,407
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	9,254	-	9,254	-	9,254
Issue of shares upon exercise of share options	2,328	25,400	-	-	-	-	-	-	(2,810)	-	24,918	-	24,918
Transfer to PRC statutory reserves	-	-	-	-	103,453	-	-	-	-	(103,453)	-	-	-
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	-	(496,494)	(496,494)	-	(496,494)
Total transactions with owners	(10,873)	(70,039)	-	-	103,453	-	-	-	6,444	(645,888)	(616,903)	1,407	(615,496)
Balance at 31 March 2020	1,518,376	-	(16,132)	(11,811)	641,044	(852,485)	37,099	(448)	26,906	5,361,598	6,704,147	528,549	7,232,696

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	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$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 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
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	1,363,801	1,363,801	40,875	1,404,676
Other comprehensive income													
Property, plant and equipment	–	–	–	–	–	–	8,373	–	–	–	8,373	–	8,373
Currency translation differences	–	–	–	–	–	(405,615)	–	–	–	–	(405,615)	(41,294)	(446,909)
Total comprehensive income	–	–	–	–	–	(405,615)	8,373	–	–	1,363,801	966,559	(419)	966,140
Transactions with owners													
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 13)	–	–	–	–	–	–	–	–	–	(689,378)	(689,378)	–	(689,378)
Total transactions with owners	(2,262)	(22,512)	–	341	130,268	33	–	–	7,239	(819,646)	(706,539)	11,978	(694,561)
Balance 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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**3,139,046**	1,478,267
Interest paid		**(154,745)**	(79,345)
Interest received		**49,555**	53,204
Income tax paid, net		**(351,407)**	(323,053)
Net cash generated from operating activities		**2,682,449**	1,129,073
Cash flows from investing activities			
Investment in structured deposits		**(6,762,115)**	(7,530,346)
Payment for acquisition of property, plant and equipment		**(835,930)**	(1,055,061)
Construction of properties under development		**–**	(75,632)
Payment of lease premium for land		**–**	(1,616,648)
Withdrawal of restricted bank balances		**304,238**	–
Placement of restricted bank balances		**(194,760)**	(122,728)
Purchase of other intangible assets		**(4,966)**	(28,585)
Proceeds on disposal of structured deposits		**6,762,412**	7,540,584
Proceeds from disposal of property, plant and equipment		**66,538**	18,175
Acquisition of subsidiaries, net of cash acquired	30	**(21,717)**	(533,862)
Acquisition of joint ventures		**–**	(34,103)
Net cash used in investing activities		**(686,300)**	(3,438,206)
Cash flows from financing activities			
Dividends paid	13	**(496,494)**	(689,378)
Repurchase of shares		**(154,140)**	(43,506)
Repayment of borrowings		**(1,822,009)**	(61,161)
New borrowings raised		**1,299,180**	3,274,572
Repayment of an amount due to a non-controlling equity holder of a subsidiary		**(58,309)**	–
Proceeds from issue of shares upon exercise of share options		**24,919**	17,342
Capital contribution by non-controlling equity holders of subsidiaries		**–**	12,352
Principal elements of lease payments		**(78,024)**	–
Net cash (used in)/generated from financing activities		**(1,284,877)**	2,510,221
Net increase in cash and cash equivalents		**711,272**	201,088
Cash and cash equivalents at beginning of the year		**1,438,339**	1,406,959
Effect of foreign exchange rate changes		**(129,366)**	(169,708)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**2,020,245**	1,438,339

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 9 April 2010. The Company's immediate and ultimate holding company is Man Wah Investments Limited, which is owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 36.

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 ("US$"). The consolidated financial statements of the Company are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated, for the convenience of the shareholders as the Company is listed in Hong Kong.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Man Wah Holdings Limited have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss – measured at fair value; and
- investment properties – measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amended standards for the first time for their annual reporting period commencing 1 April 2019:

IFRS 16	Leases
Annual improvements project	Annual Improvements 2015–2017 Cycle
IFRIC 23	Uncertainty over income tax treatment
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IAS 19	Defined benefit plan amendment, curtailment or settlement

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.1 Basis of preparation – continued

(i) New and amended standards adopted by the Group – continued

The Group had to change its accounting policies and make certain retrospective adjustments on the opening consolidated statement of financial position on 1 April 2019 following the adoption of IFRS 16. The adoption of other amendments to standards did not have any material impact on the consolidated financial statements for the current year or any prior years.

(ii) New standards, amendments to standards and interpretations not yet adopted

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting[1]
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform – amendment to IFRS 7, IFRS 9 and IAS 39[1]
IFRS 17	Insurance contract[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date to be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16, "Leases" on the Group's consolidated financial statements.

The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in Note 2.29.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 range from 2.93% to 7.99% per annum.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Changes in accounting policies – continued

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- reliance on previous assessments on whether leases are onerous
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	30,086
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2,190)
(Less): short-term leases recognised on a straight-line basis	(667)
(Add): adjustments as a result of a different treatment of extension and termination options	39,895
Lease liabilities recognised as at 1 April 2019	67,124
Of which are:	
Current lease liabilities	26,892
Non-current lease liabilities	40,232
	67,124

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.2 Changes in accounting policies – continued

(iii) Measurement of right-of-use assets

The recognised right-of-use assets are solely related to rented land and properties. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 April 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

– right-of-use assets – increase by HK$2,549,475,000

– lease premium for land – decrease by HK$2,482,351,000

– lease liabilities – increase by HK$67,124,000

Profit per share decreased by HK$0.0007 per share for the year ended 31 March 2020 as a result of the adoption of IFRS 16.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.3 Principles of consolidation and equity accounting – continued

(b) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Man Wah Holdings Limited has both joint operations and joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.13.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (the "Board") that makes strategic decisions.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains/(losses) – net".

(c) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.7 Foreign currency translation – continued

(c) Group companies – continued

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold land and buildings and leasehold improvements, the shorter lease term as follows:

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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.9 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Before adoption of IFRS 16, land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Upon adoption of IFRS on 1 April 2019, leasehold land are accounted for as investment properties when the rest of the definition of an investment property is met and carried at fair value.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains/(losses), net".

2.10 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).

2.11 Properties under development

When the leasehold land and buildings are in the course of development for sale, the leasehold land component included in properties under development 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.

2.12 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.12 Intangible assets – continued

(a) Goodwill – continued

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.

(b) Trademarks, technology knowhow and customer relationship

Separately acquired trademarks are shown at historical cost. Trademarks, technology knowhow and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(c) Research and development

Development costs that are directly attributable to the design and testing of identifiable and unique intangible assets controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available, and
- the expenditure attributable to the intangible asset during its development can be reliably measured

Directly attributable costs that are capitalised include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.12 Intangible assets – continued

(d) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

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

2.13 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.14 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.14 Investments and other financial assets – continued

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Net foreign exchange gains and losses are presented in general and administrative expenses and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.14 Investments and other financial assets – continued

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

For other financial assets at amortised cost, the Group measures the impairment as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations
- actual or expected significant changes in the operating results of debtors
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of debtors, including changes in the payment status of the debtor in the Group and changes in the operating results of the debtor

Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and there is no reasonable expectation of recovery of the balances.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises of newsprint paper and printing consumables. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and bills receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 22 for further information about the Group's accounting for trade, bills and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.19 Restricted bank balances

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the company until the shares are cancelled or reissued.

2.21 Trade, bills and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.22 Borrowings – continued

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax
Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.24 Current and deferred income tax – continued

(b) Deferred income tax – continued
Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current accrual and other payables in the consolidated statement of financial position.

(b) Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.26 Government grants

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to costs are shown separately as other income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.27 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Revenue recognition

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.28 Revenue recognition – continued

(a) Sales of goods

The Group is principally engaged in the manufacturing and trading of sofa, ancillary products and chairs and other products. Revenue are recognised when control of the product to has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location and the risk of obsolescence and loss have been transferred to the customers.

Revenue from sales of goods is recognised based on the price specified for each order, net of the provision for customer claims. Accumulated experience is used to estimate and provide for the claims and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Provision for customer claims (included in accruals and other payables) is recognised for expected volume claims payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales of residential properties

Revenue from sales of residential properties is recognised at a point in time when the buyer obtain physical possession of the completed property.

(c) Service income

The Group receives a service income for its furniture mall business. Service income is recognised when the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.29 Leases

Accounting policy applied since 1 April 2019

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.29 Leases – continued

Accounting policy applied since 1 April 2019 – continued

- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The useful life used for the asset's depreciation purpose are:

Rented land and properties	Remaining lease term

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Accounting policy applied before 1 April 2019

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.31 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.32 Share-based payments

Share-based compensation benefits are provided to employees via the share options granted to employees.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars ("US$") and Renminbi ("RMB"). The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. 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.

As HK$ are pegged to US$, the Group does not have material exchange rate risk on translation between HK$ and US$.

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, expressed in HK$, are as follows:

Assets

	2020 **HK$'000**	2019 HK$'000
US$	**1,049,615**	748,110
RMB	**23,021**	4,945
Euro ("EUR")	**17,648**	10,538
HK$	**9**	171
Other currencies	**13,740**	15,440

Liabilities

	2020 **HK$'000**	2019 HK$'000
US$	**462,819**	496,194
RMB	**2,717**	2,218
EUR	**8,074**	5,526
Other currencies	**29,440**	195

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(a) Market risk – continued

(i) Foreign exchange risk – continued

The table below illustrates the sensitivity as at the end of the reporting period to a reasonably possible change in the respectively exchange rates against the functional currency of the respective group entities, with all other variables held constant, to the profit for the year ended 31 March 2020, mainly as a result of net foreign exchange impact on translation of trade, bills and other receivables, restricted bank balances, cash and cash equivalents, trade, bills and other payables and bank borrowings denominated in these 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.

	Change in exchange rate	Impact on post-tax profit HK$'000
2020		
If US$ strengthens/weakens against the functional currencies	+5%/-5%	32,128 higher/lower
If RMB strengthens/weakens against the functional currencies	+5%/-5%	848 lower/higher
2019		
If US$ strengthens/weakens against the functional currencies	+5%/-5%	10,113 higher/lower
If RMB strengthens/weakens against the functional currencies	+5%/-5%	114 lower/higher

(ii) Cash flow and fair value 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 borrowings, 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.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(a) Market risk – continued

(ii) Cash flow and fair value interest rate risk – continued

If interest rates on restricted bank balances and bank balances had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would increase/decrease by HK$1,336,000 (2019: HK$4,466,000). This is mainly attributable to the Group's exposure to interest rates on its variable- rate bank deposits.

If interest rates on bank borrowings had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2020 would decrease/increase by HK$13,034,000 (2019: HK$9,216,000). 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.

(b) Credit risk

The credit risk of the Group's financial assets, which mainly comprise trade and bills receivables, deposits and other receivables, financial assets at FVPL, structured deposits, restricted bank balances and cash and cash equivalents, arises from potential default of the counterparties, with maximum exposure equal to the carrying amounts of these instruments.

(i) Risk management

As at 31 March 2020 and 2019, substantially all of the cash and bank balances, as detailed in Note 24, are held in banks in China, Macau, Hong Kong, Vietnam and Europe with high credit ratings assigned by international credit-rating agencies. Over 80% (2019: 80%) of the Group's bank balance is deposited into five (2019: four) banks. The directors of the Company anticipated that the related credit risk is limited because the banks are with good reputations.

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. 14% (2019: 11%) and 32% (2019: 28%) 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.

In addition, most of the Group's exposure on trade and bills receivables was covered by insurance. The Group has purchased credit insurance from certain insurance corporations on most of the Group's overseas sales to compensate for losses from debts when they become irrecoverable. Credit enhancements, including the credit insurance which is considered to be in substance, an integral part of the contractual terms of trade and bills receivables and the cash flows from credit enhancements are included in the measurement of ECL.

Credit risk of FVPL is considered minimal.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

(b) Credit risk – continued

(ii) Impairment of financial assets

Trade and bills receivables arising from contracts with customers

The Group applied IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivable balances. To measure the expected credit losses, trade and bills receivables has been grouped based on shared credit risk characteristics through grouping of various debtors that have similar loss patterns, after considering credit profile of different customers, repayment history and past due status of respective trade and bills receivables. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For trade and bills receivables relating to debtors which face significant financial difficulties or enter liquidation, they are assessed individually for impairment. Accordingly, the Group provided HK$3,527,000 for impairment for trade and bills receivables during the year ended 31 March 2020 (2019: HK$738,000) for these debtors. Trade and bills receivables of HK$4,540,000 has been provided for as at 31 March 2020 (2019: HK$2,214,000).

The Group has assessed the loss allowance of the remaining trade and bills receivables and the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate and provision for impairment of the remaining trade and bills receivables is assessed to be insignificant.

Other financial assets at amortised cost

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 expected credit loss rate of other financial assets at amortised cost to be immaterial under the 12 months ECL method. Thus, no provision for impairment for other financial assets at amortised cost is provided as at 31 March 2020 (2019: Nil).

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.

3 FINANCIAL RISK MANAGEMENT – continued

3.1 Financial risk factors – continued

Liquidity risk management – continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. Specifically, for bank and other borrowing which contain a repayment on demand clause which can be exercised at the discretion of the counterparties, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay.

	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 2020						
Non-derivative financial liabilities						
Trade, bills and other payables	**–**	**1,320,771**	**–**	**–**	**1,320,771**	**1,320,771**
Bank borrowings – variable rate	**3.01**	**2,462,095**	**729,213**	**211**	**3,191,519**	**3,122,298**
Bank borrowings – fixed rate	**4.09**	**880,432**	**–**	**–**	**880,432**	**856,987**
Lease liabilities		**31,474**	**20,951**	**10,757**	**63,182**	**58,288**
		4,694,772	**750,164**	**10,968**	**5,455,904**	**5,358,344**

	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, bills 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

The amounts included above for variable interest rate instruments of 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.

3 FINANCIAL RISK MANAGEMENT – continued

3.2 Capital management

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 27, cash and cash equivalents disclosed in Note 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 adjusting the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares as well as draw down of new debt or the redemption of existing debt.

3.3 Fair value estimation

The carrying amounts of the following financial assets and financial liabilities approximate their fair values as all of them are short-term in nature: cash and cash equivalents, trade, bills and other receivables, structured deposits, restricted bank balances, trade, bills and other payables, bank borrowings and lease liabilities. The fair value of other financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 March 2020 and 2019, the Group's financial assets at FVPL are measured at fair value through profit or loss. 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. See Note 23 for disclosures relevant to financial assets at FVPL.

As at 31 March 2020 and 2019, there are certain investment properties measured at fair value using market approach and income approach. See Note 15 for disclosures relevant to investment properties.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 2, 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.

(i) Recognition of deferred taxation

At 31 March 2020, the Group provided for deferred tax liabilities of approximately HK$31,798,000 (2019:HK$31,102,000) in relation to the earnings expected to be distributed from the certain subsidiaries. Deferred tax liabilities have not been provided on the distributable profits of 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 distributed or the future development plan of the Group changed, whichever is earlier.

No deferred tax assets have been recognised in respect of the unused tax losses of approximately HK$267,285,000 (2019: HK$244,464,000) 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.

(ii) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS – continued

Critical judgments in applying accounting policies – continued

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.

(iii) 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 available without undue costs or effort. At each 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 objective evidence that the debtor faces significant financial difficulties or enter liquidation 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 3.1.

(iv) 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 2020, the carrying amount of goodwill is HK$524,048,000 (2019: HK$525,904,000).

5 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.
Other business	–	sales of residential properties and hotel operation and furniture mall business
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

During the year, the Group had a new business segment, namely "Other business" segment. The comparative information has been represented accordingly.

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.

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.

5 SEGMENT INFORMATION – continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.6. 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 gains/(loss), fair value gain/(loss) on investment properties, loss from change in fair value of financial assets at FVPL, share of results of joint ventures, government subsidies, finance costs, central administrative costs and directors' emoluments.

Segment revenues and results

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

For the year ended 31 March 2020

	Sofa and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
Revenue					
External sales	8,155,269	2,453,102	791,812	744,116	12,144,299
Results					
Segment results	1,688,489	560,194	289,845	38,496	2,577,024
Interest income					58,801
Income on structured deposits					3,764
Rental income					14,656
Share of results of joint ventures					805
Exchange gain – net					67,201
Government subsidies					163,014
Fair value loss on investment properties					(4,569)
Loss from change in fair value of financial assets at FVPL					(1,746)
Finance costs					(152,558)
Central administrative costs and directors' emoluments					(617,148)
Profit before income tax					2,109,244

5 SEGMENT INFORMATION – continued
Segment revenues and results – continued

For the year ended 31 March 2019

	Sofa and ancillary products HK$'000	Other products HK$'000	Other business 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	(21,748)	17,010	2,132,636
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 FVPL					(91,104)
Finance costs					(74,382)
Central administrative costs and directors' emoluments					(486,073)
Profit before income tax					1,716,027

5 SEGMENT INFORMATION – continued

Other information

Amounts included in the measure of segment result:

	Sofa and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
For the year ended 31 March 2020					
Loss/(gain) on disposal of property, plant and equipment	**3,336**	**(472)**	**–**	**(113)**	**2,751**
Depreciation and amortisation	**304,328**	**58,676**	**6,318**	**32,547**	**401,869**
Provision for/(reversal of) impairment for trade and bills receivables	**–**	**1,775**	**–**	**1,752**	**3,527**
Provision for/(reversal of) impairment for inventories	**24,867**	**–**	**–**	**(469)**	**24,398**

	Sofa and ancillary products HK$'000	Other products HK$'000	Other business HK$'000	Home Group business HK$'000	Total HK$'000
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	171,966	45,377	4,119	35,526	256,988
Release of lease premium for land	28,984	–	1,498	–	30,482
(Reversal of)/provision for trade and bills receivables	(84)	–	–	822	738
(Reversal of)/provision for inventories	(1,802)	–	–	544	(1,258)

5 SEGMENT INFORMATION – continued

Geographical information

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

	2020 HK$'000	2019 HK$'000
PRC (including Hong Kong and Macau)	**6,954,742**	5,488,621
North America	**3,507,855**	4,148,312
Europe	**1,130,926**	1,210,992
Others	**550,776**	409,867
	12,144,299	11,257,792

Note: Others mainly included 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:

	2020 HK$'000	2019 HK$'000
PRC (including Hong Kong and Macau)	**5,661,149**	6,119,002
Europe	**560,580**	601,885
Vietnam	**1,309,971**	841,259
Others	**3,896**	4,618
	7,535,596	7,566,764

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2019: none).

5 SEGMENT INFORMATION – continued

Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2020				
Segments	**Sofa and ancillary products HK$'000**	**Other products HK$'000**	**Other business HK$'000**	**Home group business HK$'000**	**Total HK$'000**
Types of goods or service					
Manufacture and distribution of goods recognized at a point in time					
Sofa and ancillary products	8,155,269	–	–	744,116	8,899,385
Residential properties	–	–	748,576	–	748,576
Chairs, mattresses, smart furniture spare parts	–	1,239,786	–	–	1,239,786
Metal mechanism for recliners	–	1,150,718	–	–	1,150,718
Other products to commercial clients	–	62,598	–	–	62,598
	8,155,269	2,453,102	748,576	744,116	12,101,063
Service income – recognised over time	–	–	43,236	–	43,236
Total	8,155,269	2,453,102	791,812	744,116	12,144,299
Geographical markets					
North America	3,326,761	181,095	–	–	3,507,856
PRC (including Hong Kong and Macau)	4,114,012	2,048,918	791,812	–	6,954,742
Europe	309,840	76,970	–	744,116	1,130,926
Others	404,656	146,119	–	–	550,775
Total	8,155,269	2,453,102	791,812	744,116	12,144,299

5 SEGMENT INFORMATION – continued

Disaggregation of revenue from contracts with customers – continued

	For the year ended 31 March 2019			
Segments	Sofa and ancillary products HK$'000	Other products HK$'000	Home group business HK$'000	Total HK$'000
Types of goods or service				
Manufacture and distribution of goods recognized at a point in time				
Sofa and ancillary products	8,615,513	–	823,728	9,439,241
Chairs, mattresses, smart furniture spare parts	–	530,880	–	530,880
Metal mechanism for recliners	–	1,232,881	–	1,232,881
Other products to commercial clients	–	54,790	–	54,790
Total	8,615,513	1,818,551	823,728	11,257,792
Geographical markets				
North America	3,964,227	184,085	–	4,148,312
PRC (including Hong Kong and Macau)	4,009,855	1,478,768	–	5,488,623
Europe	318,925	68,337	823,728	1,210,990
Others	322,506	87,361	–	409,867
Total	8,615,513	1,818,551	823,728	11,257,792

6 OTHER INCOME

	2020 HK$'000	2019 HK$'000
Sales of raw material & scrap	**120,177**	138,221
Income on structured deposits	**3,764**	10,238
Interest income	**58,897**	53,204
Government subsidies (Note)	**163,014**	171,812
Others	**67,942**	47,949
	413,794	421,424

Note:

The government subsidies recognised in other income of HK$163,014,000 (2019: HK$171,812,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses, and research and development cost incurred in the year.

7 OTHER GAINS/(LOSSES) – NET

	2020 HK$'000	2019 HK$'000
Exchange gains/(losses) – net	**68,000**	(8,706)
Fair value (losses)/gains on investment properties	**(4,569)**	23
Loss on disposal of property, plant and equipment	**(2,751)**	(1,788)
Impairment provision for trade and bills receivables	**(3,527)**	(738)
Losses from changes in fair value of financial assets at FVPL	**(1,746)**	(91,104)
Others	**1,317**	(283)
	56,724	(102,596)

8 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Cost of inventories	**7,702,202**	7,344,418
Auditor's remuneration (including non-audit services)	**3,918**	3,637
Amortisation of intangible assets	**32,224**	31,786
Depreciation of property, plant and equipment	**278,312**	225,202
Depreciation of right-of-use assets	**91,333**	–
Employee benefit expenses (including directors' emoluments) (Note 10)	**1,729,151**	1,627,415
Release of lease premium for land	**–**	30,482
Operating lease charges in respect of land and buildings	**–**	53,404
Short-term lease payments	**19,318**	–
Provision for/(reversal of) impairment of inventories	**24,398**	(1,258)
Legal and professional fee	**31,241**	39,415

9 FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowing	**149,117**	78,386
Interest on lease liabilities	**3,341**	–
Others	**3,489**	959
	155,947	79,345

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Salaries and other allowances	**1,683,643**	1,575,850
Retirement benefit scheme contribution	**45,508**	51,565
	1,729,151	1,627,415

Retirement benefits scheme

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

The total contributions incurred in connection with the above for the year ended 31 March 2020 were approximately HK$45,508,000 (2019: HK$51,565,000). No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

Five highest paid individuals

For the year ended 31 March 2020, the five individuals whose emoluments were the highest in the Group included 1 director (2019: 1 director), whose emoluments were reflected in the analysis presented in Note 39(a). The emoluments paid/payable to the remaining 4 (2019: 4 individuals) individuals during the year ended 31 March 2020 were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**33,662**	31,648
Discretionary bonus	**3,970**	3,593
Retirement benefit scheme contribution	**22**	40
Share-based payment expense	**1,006**	1,457
	38,660	36,738

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – continued

Five highest paid individuals – continued

	2020 HK$'000	2019 HK$'000
Their emoluments were within the following bands:		
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$20,000,001 to HK$20,500,000	**1**	–
HK$25,500,001 to HK$26,000,000	**–**	1
	4	4

11 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current income tax:		
PRC Corporate Income Tax ("PRC CIT")	**305,061**	269,123
PRC Withholding Income Tax	**15,997**	37,920
PRC Land Appreciation Tax ("PRC LAT")	**87,468**	–
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,425**	1,186
Others	**14,292**	1,585
Deferred tax	**(7,442)**	3,495
Under/(over)-provision in prior years	**446**	(1,958)
	417,247	311,351

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, is 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% (2019: 21%) and state income tax calculated from 0% to 9% (2019: 0% to 9%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

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

11 INCOME TAX EXPENSE – continued

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC CIT rate as follows:

	2020 **HK$'000**	2019 HK$'000
Profit before income tax	**2,109,244**	1,716,027
Tax calculated at the PRC CIT rate of 25% (2019: 25%)	**527,311**	429,007
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(158,966)**	(133,952)
Income not subject to tax	**(23,147)**	(5,956)
Expenses not deductible for tax purposes	**35,996**	18,603
Tax losses for which no deferred income tax asset was recognised	**18,762**	15,131
Utilisation of tax losses previously not recognised	**(8,487)**	(6,199)
Tax effect of profit of a subsidiary under tax exemption	**(57,351)**	(46,169)
Provision for PRC Withholding Income Tax	**17,284**	41,812
Provision for PRC LAT	**87,467**	–
Tax effect of PRC LAT	**(21,867)**	–
Share of results of joint ventures	**(201)**	1,032
Under/(over)-provision in prior years	**446**	(1,958)
	417,247	311,351

The weighted average applicable tax rate was 19.8% (2019: 18.1%). The increase is mainly caused by more operation for subsidiaries which were entitled to lower applicable tax rate.

12 EARNINGS PER SHARE

Profit per share is computed as follows:

	2020	2019
Basic		
Profit attributable to owners of the Company for the year (HK$'000)	1,638,069	1,363,801
Weighted average outstanding ordinary share, in thousands	3,819,581	3,828,759
Basic earnings per share for the year in HK cents	42.89	35.62
Diluted		
Profit attributable to owners of the Company for the year (HK$'000)	1,638,069	1,363,801
Weighted average outstanding ordinary share, in thousands	3,819,581	3,828,759
Effect of dilutive potential ordinary shares on exercise of share options	1,106	1,977
Weighted average outstanding ordinary shares after assuming dilution, in thousands	3,820,687	3,830,736
Diluted earnings per share for the year in HK cents	42.87	35.60

13 DIVIDENDS

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

	2020 HK$'000	2019 HK$'000
Final dividend for 2019 of HK$0.06 (2019: HK$0.12 for 2018) per share	229,399	459,993
Interim dividend for 2020 of HK$0.07 (2019: HK$0.06 for 2019) per share	267,095	229,385
	496,494	689,378

A final dividend of HK$0.12 per share in respect of the year ended 31 March 2020, amounting to approximately HK$455,513,000 to be paid to the shareholders of the Company whose names appear on the Company's register of members on 13 July 2020, has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14 PROPERTY, PLANT AND EQUIPMENT AND LEASES

(a) 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 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 15)	–	–	(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
Exchange adjustments	(1,227)	(22,673)	(122,590)	(13,305)	(61,971)	(30,315)	(12,336)	(31,814)	(296,231)
Additions	–	1,738	3,411	35,281	111,498	81,265	54,804	453,745	741,742
Acquired on acquisition of subsidiaries (note 30)	–	–	–	104	87	206	69	139	605
Transfer to properties under development	–	–	–	–	–	–	–	(11,589)	(11,589)
Transfers	–	375,757	112,549	55,633	16,162	78,534	28	(638,663)	–
Disposals/written off	–	–	(32,389)	(14,508)	(33,330)	(8,640)	(21,234)	–	(110,101)
At 31 March 2020	27,701	814,245	1,850,992	245,544	1,112,412	542,341	205,036	423,592	5,221,863

14 PROPERTY, PLANT AND EQUIPMENT AND LEASES – continued

(a) Property, plant and equipment – continued

	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
Accumulated depreciation and impairment									
At 1 April 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
Exchange adjustments	–	(3,775)	(12,871)	(7,570)	(23,669)	(11,083)	(5,401)	–	(64,369)
Provided for the year	–	15,431	34,688	23,156	106,841	63,327	34,869	–	278,312
Eliminated on disposals/written off	–	–	(1,949)	(7,916)	(19,723)	(3,093)	(8,131)	–	(40,812)
Impairment loss	–	–	–	–	4	52	–	–	56
At 31 March 2020	–	79,883	209,190	122,280	489,438	274,790	96,295	–	1,271,876
Carrying values									
At 31 March 2020	27,701	734,362	1,641,802	123,264	622,974	267,551	108,741	423,592	3,949,987
At 31 March 2019	28,928	391,196	1,700,689	67,729	653,981	195,704	108,747	651,774	3,798,748

During the year ended 31 March 2019, the Group transferred property, plant and equipment with a fair value of HK$208,023,000 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 the year. 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.

14 PROPERTY, PLANT AND EQUIPMENT AND LEASES – continued

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) *Amounts recognised in the consolidated statement of financial position*

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Right-of-use assets		
Land use rights*	**2,172,747**	2,482,351
Retail stores	**25,890**	44,562
Office premises	**21,034**	11,246
Warehouses	**8,847**	11,316
	2,228,518	2,549,475
Lease liabilities		
Current	**28,755**	26,892
Non-current	**29,533**	40,232
	58,288	67,124

* The Group has land lease arrangements with Mainland China and Vietnam governments.

Additions to the right-of-use assets during the year ended 31 March 2020 were HK$69,188,000.

(ii) *Amount recognised in the consolidated statement of comprehensive income*

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020 HK$'000
Depreciation charge of right-of-use assets	
Land use rights	**56,500**
Retail stores	**18,671**
Office premises	**13,693**
Warehouse	**2,469**
	91,333
Interest expense (included in finance costs)	**3,341**
Expenses relating to short-term leases (included in administrative expenses)	**19,318**

14 PROPERTY, PLANT AND EQUIPMENT AND LEASES – continued

(b) Leases – continued

(ii) Amount recognised in the consolidated statement of comprehensive income – continued

Note:

As permitted under the specific transition provisions in the standard, the Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period.

The total cash outflow for leases for the year ended 31 March 2020 was HK$100,683,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases retail stores, office premises and warehouses. Rental contracts are typically made for fixed periods of 6 months to 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets, other than land use rights, may not be used as security for borrowing purposes.

(iv) Variable lease payments

Leases of the Group do not contain variable payment terms that are linked to an index or a rate.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(vi) Residual value guarantees

The Group did not provide residual value guarantees in relation to leases during the year ended 31 March 2020 (2019: same).

15 INVESTMENT PROPERTIES

	HK$'000
At 1 April 2018	210,853
Exchange adjustments	(11,997)
Transfer from property, plant and equipment (note 14)	208,023
Transfer from lease premium for land	78,208
Fair value gain	23
At 31 March 2019	485,110
Exchange adjustments	(25,326)
Fair value loss	(4,569)
At 31 March 2020	455,215

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

The fair value measurement for all of the Group's investment properties are categorised as level 3. The fair values were determined by the directors of the Company with reference to professional valuations carried out by Cushman & Wakefield (2019: Cushman & Wakefield and OBEKC). The fair values were determined by market approach and income approach. The market approach 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. Income 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.

There has been no change to the valuation technique or level of fair value hierarchy during the year.

15 INVESTMENT PROPERTIES – continued

	Level 3	
	2020	2019
	HK$'000	HK$'000
Investment properties on lands under medium-term lease:		
– in Hong Kong	**48,500**	49,600
– in Macau	**6,600**	6,800
– in PRC	**341,045**	367,717
	396,145	424,117
Investment properties on freehold land in Ukraine	**59,070**	60,993
	455,215	485,110

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers into or out of Level 3 for recurring fair value measurements during the year.

16 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.

From 1 April 2019, lease premium for land are reclassified as right-of-use assets in the consolidated statement of financial position upon the adoption of IFRS 16 (Notes 2.2 and 14(b)).

	2020	2019
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	**–**	53,171
Non-current assets	**–**	2,429,180
	–	2,482,351

17 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks HK$'000	Technology knowhow HK$'000	Customer relationship HK$'000	Total HK$'000
Cost					
At 1 April 2018	393,502	5,233	143,305	129,955	671,995
Additions	–	28,585	–	–	28,585
Acquired on acquisition of subsidiaries (note 30)	157,796	–	–	–	157,796
Exchange adjustments	(25,394)	(409)	(12,848)	(10,647)	(49,298)
At 31 March 2019	525,904	33,409	130,457	119,308	809,078
Additions	–	4,966	–	–	4,966
Acquired on acquisition of subsidiaries (note 30)	19,275	721	–	–	19,996
Exchange adjustments	(21,131)	(705)	(4,112)	(5,076)	(31,024)
At 31 March 2020	524,048	38,391	126,345	114,232	803,016
Accumulated amortisation					
At 1 April 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
Exchange adjustments	–	(165)	(1,141)	(1,531)	(2,837)
Charge for the year	–	3,821	12,850	15,553	32,224
At 31 March 2020	–	7,583	41,062	41,883	90,528
Carrying value					
At 31 March 2020	524,048	30,808	85,283	72,349	712,488
At 31 March 2019	525,904	29,482	101,104	91,447	747,937

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 by Jiangsu Yulong Intelligent Technology Co., Limited ("Jiangsu Yulong"), the manufacture and sale of sofas by Beyond Excel Holdings Limited and its wholly owned subsidiary, Timberland Company Limited ("Beyond Excel Group") and the distribution of sofas by Shanghai Qingzhu. During the year ended 31 March 2020, the directors of the Company determine that there are no impairment of these CGUs.

17 GOODWILL AND OTHER INTANGIBLE ASSETS – continued

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

	Goodwill	
	2020	2019
	HK$'000	HK$'000
Manufacture and distribution of sofas by Home Group	**135,153**	139,427
Sale of metal components for furniture business by Jiangsu Yulong	**214,103**	228,709
Manufacture and distribution of sofas by Beyond Excel Group	**155,860**	157,768
Distribution of other products by Shanghai Qingzhu Trading Limited ("Shanghai Qingzhu")	**18,932**	–
	524,048	525,904

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 pre-tax discount rate of 17.96%, 17.96%, 20.15% and 17.96% for Home Group, Jiangsu Yulong, Beyond Excel Group and Shanghai Qingzhu, respectively. The CGU's cash flows beyond the 5-year period are extrapolated at 2%, 3%, 3% and 3% growth rate for Home Group, Jiangsu Yulong and Beyond Excel Group, respectively. These 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 and management's expectations for the market development.

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

18 INTERESTS IN JOINT VENTURES

	2020	2019
	HK$'000	HK$'000
Cost of unlisted investment in joint ventures	**30,859**	34,103
Share of post-acquisition profit/(losses)	**805**	(4,129)
Exchange adjustments	**(1,991)**	885
	29,673	30,859

18 INTERESTS IN JOINT VENTURES – continued

As at 31 March 2020 and 2019, 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		Principal activity
			2020	2019	
深圳華生大家居集團有限公司	Limited liability	The PRC	**27%**	27%	Manufacturing and trading of bedding products
上海濠裝網絡科技有限公司	Limited liability	The PRC	**30%**	30%	Promotion and marketing

19 DEFERRED TAXATION

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**(12,031)**	(3,708)
Deferred tax liabilities	**128,896**	130,086
	116,865	126,378

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 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
Exchange adjustments	(591)	(185)	(753)	240	(782)	(2,071)
Charge/(credit) to profit or loss	1,287	(2,329)	(1,520)	(4,880)	–	(7,442)
At 31 March 2020	31,798	(339)	27,400	(5,907)	63,913	116,865

19 DEFERRED TAXATION – continued

The Group had unused tax losses of HK$277,107,000 (2019: HK$244,464,000) as at 31 March 2020 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$31,798,000 (2019: HK$31,102,000) 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$3,883,690,000 (2019: HK$5,101,556,000) as at 31 March 2020 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

	2020 **HK$'000**	2019 HK$'000
Raw materials	**678,021**	550,697
Work-in-progress	**332,305**	334,070
Finished goods	**522,667**	528,796
	1,532,993	1,413,563

21 PROPERTIES UNDER DEVELOPMENT

	HK$'000
At 1 April 2018	383,415
Additions	75,632
Exchange adjustments	(25,576)
At 31 March 2019	433,471
Additions	88,001
Transferred from right-of-use assets	155,501
Transferred from construction in progress	11,589
Transferred to properties held for sale	(518,014)
Exchange adjustments	(21,138)
At 31 March 2020	149,410

The balance as at 31 March 2020 is the land and development cost of properties under development located at Chongqing, the PRC (2019: Wujiang, the PRC).

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade and bills receivables	**1,215,294**	1,311,899
Less: provision for impairment of trade and bills receivables	**(4,540)**	(2,214)
Trade and bills receivables, net	**1,210,754**	1,309,685
Other receivables and prepayments		
Valued added taxes recoverable	**174,020**	240,965
Deposits	**50,743**	16,208
Prepayments to suppliers	**159,491**	213,679
Sundry receivables	**86,087**	83,965
	470,341	554,817

As at 31 March 2020, total bills receivables amounting to HK$51,372,000 (2019: HK$85,518,000). All bills receivables by the Group are with a maturity period of less than six months.

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:

	2020 HK$'000	2019 HK$'000
0 – 90 days	**1,054,410**	1,174,553
91 – 180 days	**123,737**	96,513
Over 180 days	**32,607**	38,619
	1,210,754	1,309,685

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.

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Movement in the allowance for doubtful debts

	2020 HK$'000	2019 HK$'000
1 April	**2,214**	1,706
Increase in allowance	**3,527**	738
Amounts written off as uncollectible	**(1,034)**	(53)
Exchange adjustments	**(167)**	(177)
31 March	**4,540**	2,214

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The investments are listed debentures carrying interest at fixed rates ranging from 6% to 8.5% per annum and with maturity dates ranging from 23 October 2020 to 19 December 2022.

The fair values of all of the Group's financial assets at FVPL are categorised as level 2 which are quoted prices available from over-the-counter markets.

24 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

The restricted bank balances mainly represent deposits at banks in relation to properties held for sale and carry interest at prevailing deposit rate from 0% to 2.3% (2019: 0.35% to 1.50%) per annum.

Bank balances carry interest at prevailing deposit rates ranging from 0.35% to 4.2% per annum (2019: 0.001% to 1.10% per annum).

For the year ended 31 March 2020, 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 2020 are set out in Note 3.1.

25 TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade payables		
Trade and bills payables	**967,090**	663,432
Other payables and accruals		
Accruals	**367,023**	311,658
Payables for acquisition of property, plant and equipment	**18,095**	29,449
Others payable (Note)	**67,042**	114,544
	452,160	455,651

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 which is non-trade in nature, unsecured, interest-free and repayable on demand.

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:

	2020 HK$'000	2019 HK$'000
0 – 90 days	**966,854**	661,348
91 – 180 days	**175**	1,618
Over 180 days	**61**	466
	967,090	663,432

26 CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Sales of sofas	**234,702**	148,825
Sales of properties under development	**26,154**	418,915
	260,856	567,740

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, revenue was fully 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:

	2020 HK$'000	2019 HK$'000
Secured (Note)	**10,792**	41,977
Unsecured	**3,968,493**	4,510,792
	3,979,285	4,552,769
The carrying amounts of the above borrowings are repayable:		
Within one year	**3,277,499**	2,892,699
Within a period of more than one year but not exceeding two years	**701,581**	542,699
Within a period of more than two years but not exceeding five years	**205**	1,117,371
	3,979,285	4,552,769
Less: Amounts due within one year shown under current liabilities	**(3,277,499)**	(2,892,699)
Amounts shown under non-current liabilities	**701,786**	1,660,070

The Group's bank borrowings are denominated in HK$ and RMB, and carry interest at fixed and variable rates. The fixed rates range from 3.60% to 4.35% (2019: 4.25% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.58% to 3.56% (2019: 2.43% to 3.40%), and 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 2.10% to 3.15% (2019: 1.50% to 4.18%). The weighted average effective interest rate of the above variable-rate and fixed- rate bank borrowings was 3.01% and 4.09%, respectively (2019: 2.93% and 4.33%, respectively) per annum.

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

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	**25,880**	104,963
Inventories	**13,041**	15,890
	38,921	120,853

28 SHARE CAPITAL

	Number of shares (in thousands)	Amounts HK$'000
Authorised:		
Ordinary shares:		
At 1 April 2018, 31 March 2019 and 31 March 2020 – HK$0.40 each	5,000,000	2,000,000

		HK$'000
Issued and fully paid:		
At 1 April 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
Repurchase of shares (Note)	(33,003)	(13,201)
Exercise of share options	5,820	2,328
At 31 March 2020	3,795,940	1,518,376

Note:

During the year ended 31 March 2020, 33,003,600 ordinary shares of the Company of HK$0.40 each were repurchased at a price ranging from HK$3.73 to HK$6.53 per share.

During the year ended 31 March 2019, 10,278,000 ordinary shares of the Company of 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.

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 2020 and 2019 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
17.1.2020	17.1.2022 – 16.1.2024	2,268,400	N/A	6.53	4,715
	17.1.2023 – 16.1.2025	2,209,600	N/A	6.53	4,965
	17.1.2024 – 16.1.2026	1,910,000	N/A	6.53	4,771

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 1.4.2018	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2019	Granted during the year	Lapsed/ forfeiture during the year	Exercised	Outstanding at 31.3.2020
Directors										
10.2.2015	10.2.2015–9.2.2018	276,800	–	–	–	276,800	–	–	(276,800)	–
26.1.2016	26.1.2016–25.1.2018	223,200	–	–	–	223,200	–	–	(223,200)	–
	26.1.2016–25.1.2019	222,400	–	–	–	222,400	–	–	–	222,400
27.1.2016	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	233,600	–	–	–	233,600	–	–	–	233,600
	13.1.2017–12.1.2020	233,600	–	–	–	233,600	–	–	–	233,600
	13.1.2017–12.1.2021	232,400	–	–	–	232,400	–	–	–	232,400
12.2.2018	12.2.2018–11.2.2020	162,800	–	–	–	162,800	–	(24,000)	–	138,800
	12.2.2018–11.2.2021	162,800	–	–	–	162,800	–	(24,000)	–	138,800
	12.2.2018–11.1.2022	160,000	–	–	–	160,000	–	(23,200)	–	136,800
28.1.2019	28.1.2019–27.1.2021	–	316,400	–	–	316,400	–	(138,000)	–	178,400
	28.1.2019–27.1.2022	–	316,400	–	–	316,400	–	(138,000)	–	178,400
	28.1.2019–27.1.2023	–	315,200	–	–	315,200	–	(137,200)	–	178,000
17.1.2020	17.1.2022–16.1.2024	–	–	–	–	–	94,000	–	–	94,000
	17.1.2023–16.1.2025	–	–	–	–	–	94,000	–	–	94,000
	17.1.2024–16.1.2026	–	–	–	–	–	92,400	–	–	92,400
		2,559,600	948,000	–	–	3,507,600	280,400	(484,400)	(900,000)	2,403,600

29 SHARE OPTION SCHEMES AND SHARE AWARD SCHEME – continued

Share option schemes – continued

		Number of share options								
Date of grant	Vesting period	Outstanding at 1.4.2018	Granted during the year	Lapsed during the year	Exercised	Outstanding at 31.3.2019	Granted during the year	Lapsed/ forfeiture during the year	Exercised	Outstanding at 31.3.2020
Employees										
1.2.2013	1.2.2013–31.1.2017	14,400	–	(6,400)	(8,000)	–	–	–	–	–
22.1.2014	22.1.2014–21.1.2017	440,000	–	(270,400)	(169,600)	–	–	–	–	–
10.2.2015	10.2.2015–9.2.2017	580,800	–	(31,200)	(549,600)	–	–	–	–	–
	10.2.2015–9.2.2018	3,474,400	–	(61,600)	(2,280,800)	1,132,000	–	(42,400)	(1,089,600)	–
26.1.2016	26.1.2016–25.1.2018	4,408,400	–	(1,278,800)	(1,614,400)	1,515,200	–	(95,200)	(1,420,000)	–
	26.1.2016–25.1.2019	8,824,800	–	(1,708,000)	–	7,116,800	–	(576,800)	(2,197,600)	4,342,400
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	2,038,400	–	(371,200)	–	1,667,200	–	(247,200)	(175,200)	1,244,800
	13.1.2017–12.1.2020	2,037,600	–	(371,200)	–	1,666,400	–	(249,200)	(38,400)	1,378,800
	13.1.2017–12.1.2021	2,039,200	–	(369,600)	–	1,669,600	–	(259,600)	–	1,410,000
12.2.2018	12.2.2018–11.2.2020	1,807,200	–	(408,400)	–	1,398,800	–	(195,600)	–	1,203,200
	12.2.2018–11.2.2021	1,787,600	–	(400,400)	–	1,387,200	–	(194,000)	–	1,193,200
	12.2.2018–11.1.2022	1,609,200	–	(361,600)	–	1,247,600	–	(173,200)	–	1,074,400
28.1.2019	28.1.2019–27.1.2021	–	4,667,200	(213,600)	–	4,453,600	–	(662,800)	–	3,790,800
	28.1.2019–27.1.2022	–	4,658,400	(213,600)	–	4,444,800	–	(660,800)	–	3,784,000
	28.1.2019–27.1.2023	–	4,445,600	(206,000)	–	4,239,600	–	(634,800)	–	3,604,800
17.1.2020	17.1.2022–16.1.2024	–	–	–	–	–	2,174,400	(33,200)	–	2,141,200
	17.1.2023–16.1.2025	–	–	–	–	–	2,115,600	(31,200)	–	2,084,400
	17.1.2024–16.1.2026	–	–	–	–	–	1,817,600	(24,000)	–	1,793,600
		31,062,000	13,771,200	(6,272,000)	(4,622,400)	33,938,800	6,107,600	(6,080,000)	(4,920,800)	29,045,600
		33,621,600	14,719,200	(6,272,000)	(4,622,400)	37,446,400	6,388,000	(6,564,400)	(5,820,800)	31,449,200
Exercisable at the end of the reporting period		9,418,000				15,039,200				9,249,600

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 2020, share options of 6,388,000 were granted on 17 January 2020. The estimated fair value of the options granted on the grant date is HK$14,451,000. The closing price of the Company's shares at the date of grant were HK$6,53.

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.

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 2020 and 2019 are as follows:

Date of grant	13.1.2017	12.2.2018	28.1.2019	17.1.2020
Closing share price at date of grant	HK$5.12	HK$6.80	HK$3.91	**HK$6.53**
Exercise price	HK$5.17	HK$7.18	HK$3.91	**HK$6.53**
Suboptimal exercise factor	2.2 to 2.8	1.6 to 2.47	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%	**45.93% to 46.98%**
Expected dividend yield	4.56%	3.63%	4.02%	**1.99%**
Risk free rate	1.30% to 1.38%	1.64% to 1.81%	1.74% – 1.81%	**1.48% – 1.50%**
Fair value	HK$1.22 to HK$1.71	HK$1.62 to HK$2.07	HK$0.81 to HK$1.08	**HK$2.07 to HK$2.57**

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$9,254,000 (2019: HK$8,629,000) 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 2019 and 2020.

30 BUSINESS COMBINATION

(a) Acquisition of Shanghai Qingzhu Trading Limited and its subsidiary ("Shanghai Qingzhu")

On 1 March 2020, Man Wah Furniture Manufacturing (Huizhou) Co., Ltd., a wholly owned subsidiary of the Company, acquired 66% equity interest in Shanghai Qingzhu from independent third parties for a cash consideration of RMB19,800,000 (equivalent to approximately HK$22,007,000). This acquisition has been accounted for using the purchase method. Shanghai Qingzhu is engaged in the sale of mattress in China.

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

	HK$'000
Property, plant and equipment	605
Intangible asset	721
Inventory	13,593
Trade receivables	4,089
Other receivables and prepayments	2,850
Tax receivables	731
Cash and cash equivalents	290
Trade payable	(4,158)
Other payables and accruals	(14,582)
Net identifiable assets acquired	4,139

Goodwill arising on acquisition:

	HK$'000
Cash consideration paid	22,007
Less: fair value of identifiable net assets acquired	(4,139)
Add: non-controlling interest	1,407
Goodwill arising on acquisition	19,275

Included in the profit and revenue for the relevant year are loss of HK$811,000 and revenue of HK$660,000 attributable to the additional business generated by the Shanghai Qingzhu.

There would have been no material impact to the revenue and results of operations of the Group had the acquisition been completed on 1 April 2019.

30 BUSINESS COMBINATION – continued

(b) 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 US$68,000,000 (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 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.

31 LEASES COMMITMENTS

The Group as lessee

The Group leases various land and properties under non-cancellable operating lease agreements. The lease commitment as at 31 March 2019 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

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:

	2020 **HK$'000**	2019 HK$'000
Within one year	–	21,058
In the second to fifth year inclusive	–	9,016
Over five years	–	12
	–	30,086

The Group as lessor

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

	2020 **HK$'000**	2019 HK$'000
Within one year	**32,631**	26,728
In the second to fifth year inclusive	**69,390**	24,989
Over five years	–	600
	102,021	52,317

32 CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**77,862**	108,462
– construction of production plant	**178,797**	289,101
	256,659	397,563
Other commitments of		
– construction of property under development	**24,534**	123,457
– investment in joint ventures	**10,917**	11,662
	35,451	135,119
	292,110	532,682

33 RELATED PARTY DISCLOSURES

(i) Related party transactions

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

	2020 HK$'000	2019 HK$'000
Rental expense paid to related parties (Note)	**2,916**	2,804

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

(ii) 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 39(a).

34 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
— Trade, bills and other receivables	**1,507,291**	1,393,650
— Structured deposits	**3,946**	–
— Restricted bank balances	**23,636**	139,100
— Cash and cash equivalents	**2,020,245**	1,438,339
FVPL	**204,682**	220,650
	3,759,800	3,191,739
Financial liabilities		
Financial liabilities at amortised cost		
— Trade, bills and other payables	**1,320,771**	807,425
— Lease liabilities	**58,288**	–
— Bank borrowings	**3,979,285**	4,552,769
	5,358,344	5,360,194

35 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash used in operations

	Note	2020 HK$'000	2019 HK$'000
Profit before income tax		**2,109,244**	1,716,027
Adjustments for:			
Amortisation of other intangible assets	17	**32,224**	31,786
Depreciation of property, plant and equipment	8	**278,312**	225,202
Depreciation of right-of-use assets	8	**91,333**	–
Impairment loss on property, plant and equipment		**56**	–
Equity-settled share-based payments expense		**9,254**	8,629
Fair value loss on financial assets at fair value through profit or loss		**1,746**	91,104
Fair value loss/(gain) on investment properties		**4,569**	(23)
Finance costs	9	**155,947**	79,345
Provision for/(reversal of) impairment of inventories		**24,398**	(1,258)
Provision for impairment of trade and bills receivables		**3,527**	738
Interest income		**(58,897)**	(53,204)
Income on structured deposits		**(3,764)**	(10,238)
Loss on disposal of property, plant and equipment		**2,751**	1,788
Release of lease premium for land		**–**	30,482
Share of results of joint ventures		**(805)**	4,129
		2,649,895	2,124,507

35 NOTES TO THE STATEMENT OF CASH FLOWS – continued

(a) Cash used in operations – continued

	Note	2020 HK$'000	2019 HK$'000
Changes in working capital:			
Increase in inventories		**(130,235)**	(344,691)
Decrease/(increase) in trade and bills receivables		**99,493**	(296,831)
Decrease/(increase) in other receivables and prepayments		**96,668**	(173,005)
Increase/(decrease) in trade and bills payables		**299,500**	(54,176)
Increase/(decrease) in other payables and accruals		**50,388**	(94,833)
(Decrease)/increase in contract liabilities		**(306,884)**	319,767
Decrease in other non-current liabilities		**(334)**	(2,471)
Increase in properties under development		**(88,001)**	–
Decrease in properties held for sale		**468,556**	–
Net cash generated from operations		**3,139,046**	1,478,267

(b) Non-cash investing and financing activities

- Utilisation of deposits of HK$106,349,000 for acquisition of property, plant and equipment
- Addition of right-of-use assets of HK$69,188,000
- Transfer from right-of-use assets of HK$155,501,000 to property under development
- Transfer of property, plant and equipment of HK$11,589,000 to property under development
- Transfer of property under development of HK$518,014,000 to property held for sale.

(c) Reconciliation of liabilities arising from financing activities

The following section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Net debt	2020 HK$'000	2019 HK$'000
Bank borrowings	**3,979,285**	4,552,769
Lease liabilities	**58,288**	–
Net debt	**4,037,573**	4,552,769

35 NOTES TO THE STATEMENT OF CASH FLOWS – continued

(c) Reconciliation of liabilities arising from financing activities – continued

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	1,340,708	–	1,340,708
Financing cash flows	3,213,411	–	3,213,411
Foreign exchange translation	(1,350)	–	(1,350)
At 31 March 2019	4,552,769	–	4,552,769
At 1 April 2019	4,552,769	–	4,552,769
Changes in accounting policies (Note 2.2)	–	67,124	67,124
Commencement of lease	–	69,188	69,188
Financing cash flows	(522,829)	(78,024)	(600,853)
Foreign exchange translation	(50,655)	–	(50,655)
At 31 March 2020	3,979,285	58,288	4,037,573

36 SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2020 and 2019 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 2020	2019	Principal activities
Directly owned					
Man Wah Group Limited	British Virgin Islands ("BVI")	US$50,000	**100%**	100%	Investment holding
Man Wah USA, Inc.	United States of America	US$310,000	**100%**	100%	Advertising and marketing of home 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	US$60,000,000	**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

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2020 and 2019 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 2020	2019	Principal activities
Indirectly owned (continued)					
Man Wah Industrial (Wujiang) Co., Ltd.* [1] 敏華實業 (吳江) 有限公司	The PRC	US$60,000,000	**100%**	100%	Manufacturing and trading of 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	US$110,000,000	**100%**	100%	Property development and hotel operation
Remaco Machinery Technology (Wujiang) Co., Ltd.* [1] 鋭邁機械科技 (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
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.* [1] 敏華家具製造 (惠州) 有限公司 ("Man Wah Huizhou")	The PRC	US$102,000,000	**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	US$1,800,000	**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	US$32,500,000	**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.* 重慶敏華家具製造有限公司	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

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2020 and 2019 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 2020	2019	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. 凌志傢俱 (惠州) 有限公司	The PRC	HK$1,000,000	**90%**	90%	Manufacturing and trading of sofa
Lingzhi Furniture (Suzhou) Co., Ltd. 凌志傢俱 (蘇州) 有限公司	The PRC	HK$1,000,000	**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.* 重慶志天傢俱有限公司	The PRC	RMB1,000,000	**90%**	90%	Manufacturing and trading of sofa
Chongqing Ruimak Brand Management Co., Ltd.* 重慶鋭瑪克品牌管理有限公司	The PRC	RMB1,000,000	**93.75%**	93.75%	Trading of furniture components
Chongqing Ruipuslin Intelligent Technology Co., Ltd.* 重慶睿普斯林智能科技有限公司	The PRC	RMB10,000,000	**93.75%**	93.75%	Trading of furniture components
Huizhou Ruipuslin Intelligent Technology Co., Ltd.* 惠州市睿普斯林智能科技有限公司	The PRC	RMB1,000,000	**93.75%**	93.75%	Manufacturing of furniture components
Chongqing Minhua Brand Management Co., Ltd.* 重慶敏華品牌管理有限公司	The PRC	RMB500,000,000	**100%**	100%	Trading of sofas, bedding products, other furniture and foam
Shanghai Qingzhu Trading Co., Ltd.* [3] 上海箐築貿易有限公司	The PRC	RMB25,349,501	**66%**	–	Manufacturing and trading of mattresses and bedding products
Chongqing Bama Business Management Co., Ltd.* [2] 重慶白馬商業管理有限公司	The PRC	RMB3,000,000	**51%**	–	Providing enterprise management marketing planning
Timberland Company Limited	Timberland	US$12,000,000	**100%**	100%	Manufacturing and trading of sofas
Home Group Ltd.[4]	Cayman Islands	EUR6,000	**50%[4]**	50%[4]	Investment holding
Home Group Holdings Ltd.[4]	Hong Kong	HK$1	**50%[4]**	50%[4]	Investment holding

* English translated name is for identification only.

36 SUBSIDIARIES – continued

Details of the Company's principal subsidiaries as at 31 March 2020 and 2019 are as follows:

[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 2020.
[3] These companies were newly acquired during the year ended 31 March 2020.
[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.

36 SUBSIDIARIES – continued

(a) Material non-controlling interests

Set out below is summarised financial information for a subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	Home Group Ltd.	
	2020	2019
	HK$'000	HK$'000
Summarised balance sheet		
Non-current assets	**439,065**	478,959
Current assets	**190,882**	143,330
Non-current liabilities	**45,913**	82,238
Current liabilities	**123,296**	135,540
Total equity	**460,738**	404,511
Summarised statement of comprehensive income		
Revenue	**744,116**	823,965
Profit and total comprehensive income for the year	**39,416**	14,604
Profit attributable to owners of the Company	**15,635**	5,820
Profit attributable to the non-controlling interests	**23,781**	8,784
Summarised cash flows		
Net cash inflow from operating activities	**79,473**	42,799
Net cash inflow/(outflow) from investing activities	**504**	(15,885)
Net cash outflow from financing activities	**(14,622)**	(22,659)
Net increase in cash and cash equivalents	**65,356**	4,255

37 FINANCIAL GUARANTEE

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three months upon the completion of guarantee registration; or (ii) the full repayment of mortgaged loan by the purchasers of properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 31 March 2020, the amount of outstanding guarantees for mortgages were approximately HK$74,021,000 (2019: HK$57,809,000).The directors consider that the likelihood of default in payments by purchasers is minimal and as the Group is entitled to retain the ownership of the properties, the valuation of which is significantly higher than the guaranteed amounts, the financial guarantees measured at fair value is immaterial.

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Interests in subsidiaries	**3,711,080**	3,711,080
	3,711,080	3,711,080
Current assets		
Other receivables and prepayments	**1,009**	619
Cash and bank balances	**163**	154
	1,172	773
Current liabilities		
Amounts due to subsidiaries	**1,543,415**	1,255,312
Other payables and accruals	**3,655**	414
	1,547,070	1,255,726
Net current liabilities	**(1,545,898)**	(1,254,953)
Net assets	**2,165,182**	2,456,127
Equity		
Equity attributable to owners of the Company		
Share capital	**1,518,376**	1,529,249
Reserves (Note)	**646,806**	926,878
Total equity	**2,165,182**	2,456,127

38 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$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 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
Profit and total comprehensive income for the year	–	–	–	325,957	325,957
Repurchase of shares	(117,544)	–	–	(23,836)	(141,380)
Recognition of equity-settled share-based payments	–	–	9,254	–	9,254
Issue of shares upon exercise of share options	25,400	–	(2,810)	–	22,590
Dividends paid	–	–	–	(496,494)	(496,494)
At 31 March 2020	–	(448)	26,906	620,347	646,805

39 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

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

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note iii)	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2020						
Executive Directors:						
Mr. Wong Man Li (Chairman)	380	1,349	74	225	17	2,045
Ms. Hui Wai Hing	380	1,035	58	141	–	1,614
Ms. Yang Huiyan (Note i)	81	734	–	–	2	817
Mr. Alan Marnie	380	4,889	–	–	–	5,269
Mr. Dai Quanfa	380	1,328	125	256	23	2,112
Ms. Wong Ying Ying	380	539	41	112	6	1,078
Mr. Tsang Hoi Lam (Note ii)	299	1,141	–	–	10	1,450
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	11,015	298	734	58	15,905

39 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) – continued

(a) Directors' and chief executive's emoluments – continued

Name of directors	Directors' fee HK$'000	Salaries and other allowances HK$'000	Performance related incentive payments HK$'000 (Note iii)	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2019						
Executive Directors:						
Mr. Wong Man Li (Chairman)	380	1,357	76	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	1,316	120	262	23	2,101
Ms. Wong Ying Ying	380	519	29	131	5	1,064
Mr. Tsang Hoi Lam	380	1,463	174	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	10,783	399	954	58	15,994

Notes:

(i) Appointed as an executive director of the Company on 15 January 2020.

(ii) Resigned as an executive director of the Company on 15 January 2020.

(iii) Discretionary bonus are recommended by the Remuneration Committee and approved by the Board of Directors, having regard to the Group's operating results, individual performance and comparable market statistics.

39 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) – continued

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2019: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2019: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There is no other loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with all directors of the Company as at 31 March 2020 (2019: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40 SUBSEQUENT EVENT

For the year ended 31 March 2020, the operating results of the Group has been affected by the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020. A series of precautionary and control measures have been and continued to be implemented across mainland China, including certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

Following to the spread of COVID-19 subsequent to year end (from April 2020 till the date of authorisation for issue of this report) to other locations, including but not limited to Vietnam, Europe, United States and Australia, management has also taken relevant actions to minimise the unfavourable impact. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

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. Silutès 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%

Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	7,327,590	7,779,015	10,026,573	11,257,792	**12,144,299**
Cost of goods sold	(4,431,563)	(4,520,832)	(6,283,633)	(7,420,694)	**(7,726,600)**
Gross profit	2,896,027	3,258,183	3,742,940	3,837,098	**4,417,699**
Other income	175,927	159,752	364,630	421,424	**413,794**
Other gains/(losses), net	4,457	184,001	(26,168)	(102,596)	**56,724**
Selling and distribution expenses	(1,229,313)	(1,173,878)	(1,693,223)	(1,806,183)	**(2,001,747)**
Administrative and other expenses	(344,913)	(365,441)	(442,052)	(550,242)	**(622,084)**
Share of results of joint ventures	(221)	–	–	(4,129)	**805**
Finance costs	(11,964)	(10,271)	(23,542)	(79,345)	**(155,947)**
Profit before income tax	1,490,000	2,052,346	1,922,585	1,716,027	**2,109,244**
Income tax expense	(150,182)	(293,222)	(368,639)	(311,351)	**(417,247)**
Profit for the year	1,339,818	1,759,124	1,553,946	1,404,676	**1,691,997**
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	(216,966)	(305,526)	522,536	(446,909)	**(559,868)**
Items that will not be reclassified subsequently to profit or loss:					
Increase in fair value of property, plant and equipment	517	21,786	3,578	8,373	**–**
Total comprehensive income for the year	1,123,369	1,475,384	2,080,060	966,140	**1,132,129**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Profit for the year attributable to:					
Owners of the Company	1,327,244	1,752,370	1,535,908	1,363,801	**1,638,069**
Non-controlling interest	12,574	6,754	18,038	40,875	**53,928**
	1,339,818	1,759,124	1,553,946	1,404,676	**1,691,997**
Total comprehensive income (expenses) for the year attributable to:					
Owners of the Company	1,111,431	1,467,215	1,999,700	966,559	**1,097,813**
Non-controlling interest	11,938	8,169	80,360	(419)	**34,316**
	1,123,369	1,475,384	2,080,060	966,140	**1,132,129**
Earnings per share (Note)					
Basic (HK cents)	34.15	45.64	40.22	35.62	**42.89**
Diluted (HK cents)	33.89	45.47	40.04	35.60	**42.87**
Dividend per share (Note)					
Interim dividend (HK cents)	8.0	14.0	13	6	**7**
Final dividend (HK cents)	9.5	14.0	12	6	**12**
Full year dividend (HK cents)	17.5	28.0	25	12	**19**
Dividend Payout Ratio (%)	51.0%	61.0%	62.1%	33.7%	**44.3%**

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

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Non-current assets					
Property, plant and equipment	2,033,774	2,267,824	3,167,900	3,798,748	**3,949,987**
Investment properties	52,156	170,781	210,853	485,110	**455,215**
Right-of-use assets	–	–	–	–	**2,228,518**
Lease premium for land	318,598	451,219	787,109	2,429,180	**–**
Other intangible assets	382	189,994	245,540	222,033	**188,440**
Interest in a joint venture	–	–	–	30,859	**29,673**
Available-for-sale investment	1,794	–	–	–	**–**
Deferred tax assets	1,246	2,589	3,590	3,708	**12,031**
Properties under development	304,043	384,481	–	–	**–**
Refundable earnest money paid for lease premium for land	4,045	3,815	–	–	**–**
Deposit paid for a land lease	38,489	11,280	4,225	3,944	**3,692**
Prepayments and deposits paid for acquisition of property, plant and equipment	52,059	79,612	101,079	70,986	**156,023**
Goodwill	–	129,177	393,502	525,904	**524,048**
	2,806,586	3,690,772	4,913,798	7,570,472	**7,547,627**
Current assets					
Inventories	607,199	749,253	1,067,133	1,413,563	**1,532,993**
Properties held for sale	–	–	–	–	**48,227**
Properties under development	–	–	383,415	433,471	**149,410**
Trade and bills receivables	590,609	639,674	956,097	1,309,685	**1,210,754**
Other receivables and prepayments	153,530	235,129	397,030	554,817	**470,341**
Lease premium for land	7,386	9,648	18,326	53,171	**–**
Financial assets at fair value through profit or loss	–	–	–	220,650	**204,682**
Held for trading investments	–	367,862	311,754	–	**–**
Tax recoverable	5,102	1,744	7,924	12,519	**1,941**
Structured deposits	26,313	–	–	–	**3,946**
Restricted bank balances	875	9,364	8,303	139,100	**23,636**
Bank balances and cash	1,447,508	1,808,298	1,406,959	1,438,339	**2,020,245**
	2,838,522	3,820,972	4,556,941	5,575,315	**5,666,175**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Current liabilities					
Trade and bills payables	266,529	427,780	753,902	663,432	**967,090**
Other payables and accruals	374,912	485,312	748,446	455,651	**452,160**
Receipt in advance from sales of properties under development	–	–	50,011	–	**–**
Contract liabilities	–	–	–	567,740	**260,856**
Bank borrowing – current portion	250,000	1,047,636	1,316,799	2,892,699	**3,277,499**
Tax payable	40,034	64,636	72,892	58,379	**133,198**
	931,475	2,025,364	2,942,050	4,637,901	**5,119,558**
Net current assets	1,907,047	1,795,608	1,614,891	937,414	**546,617**
Total assets less current liabilities	4,713,633	5,486,380	6,528,689	8,507,886	**8,094,244**
Non-current liabilities					
Lease liabilities	–	–	–	–	**29,533**
Deferred tax liabilities	3,280	42,830	56,158	130,086	**128,896**
Bank borrowing – non-current portion	–	27,294	23,909	1,660,070	**701,786**
Other Non-current liabilities	–	7,337	4,138	1,667	**1,333**
	3,280	77,461	84,205	1,791,823	**861,548**
	4,710,353	5,408,919	6,444,484	6,716,063	**7,232,696**
Capital and reserves					
Share capital	774,745	1,530,256	1,531,511	1,529,249	**1,518,376**
Reserves	3,937,591	3,508,286	4,431,706	4,693,988	**5,185,771**
Equity attributable to owners of the Company	4,712,336	5,038,542	5,963,217	6,223,237	**6,704,147**
Non-controlling interest	(1,983)	370,377	481,267	492,826	**528,549**
	4,710,353	5,408,919	6,444,484	6,716,063	**7,232,696**