MANWAH

MAN WAH HOLDINGS LIMITED
敏華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011 AND CLOSURE OF REGISTER OF MEMBERS

The board (the "Board") of directors (the "Directors") of Man Wah Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2011 together with the comparative figures for the previous financial year ended 31 March 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Revenue	*4*	**3,808,210**	2,932,217
Cost of goods sold		**(2,190,807)**	(1,675,562)
Gross profit		**1,617,403**	1,256,655
Other income		**45,334**	13,518
Other gains and losses		**38,231**	11,823
Selling and distribution expenses		**(766,063)**	(449,137)
Administrative expenses		**(254,352)**	(157,814)
Share of profit (loss) of jointly controlled entities		**1,640**	(1,889)
Finance costs	*5*	**(1,479)**	(4,244)
Profit before income tax		**680,714**	668,912
Income tax expense	*6*	**(59,412)**	(51,567)
Profit for the year		**621,302**	617,345
Other comprehensive income (expense):			
Exchange differences arising on translation		**57,713**	(427)
Reclassification adjustment:			
Release of exchange differences on liquidation of a subsidiary		**–**	(138)
Other comprehensive income (expense) for the year		**57,713**	(565)
Total comprehensive income for the year		**679,015**	616,780

	Note	**2011** *HK$'000*	2010 *HK$'000*
Profit for the year attributable to:			
Owners of the Company		**622,296**	605,799
Non-controlling interests		**(994)**	11,546
		621,302	617,345
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**680,009**	605,234
Non-controlling interests		**(994)**	11,546
		679,015	616,780
Earnings per share	*7*		
Basic *(HK cents)*		**64.46**	85.09
Diluted *(HK cents)*		**64.45**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**877,001**	530,762
Investment properties		**28,547**	22,914
Lease premium for land		**98,802**	98,888
Intangible assets		**1,465**	1,606
Interests in jointly controlled entities		**195**	155
Loan to a jointly controlled entity		**4,995**	4,995
Deferred tax assets		**453**	280
Refundable earnest money paid for lease premium for land		**23,669**	–
Deposits paid for acquisition of property, plant and equipment		**15,737**	6,281
		1,050,864	665,881
Current assets			
Inventories		**395,017**	316,608
Trade receivables	9	**331,844**	192,916
Other receivables and prepayments	9	**130,843**	97,730
Amount due from a non-controlling interest shareholder of a subsidiary		**1,109**	–
Lease premium for land		**2,206**	2,134
Derivative financial instruments		**1,997**	14,711
Pledged bank deposits		**–**	3,531
Bank balances and cash		**1,611,164**	375,460
		2,474,180	1,003,090
Current liabilities			
Trade payables	10	**221,475**	167,305
Other payables and accruals	10	**176,742**	188,229
Tax payable		**9,231**	10,108
Derivative financial instruments		**692**	984
Bank borrowings		**17,500**	125,240
		425,640	491,866
Net current assets		**2,048,540**	511,224
Total assets less current liabilities		**3,099,404**	1,177,105
Non-current liabilities			
Bank borrowings		**–**	21,960
Deferred tax liabilities		**4,669**	4,513
		4,669	26,473
		3,094,735	1,150,632
Capital and reserves			
Share capital		**388,454**	289,526
Reserves		**2,706,153**	861,106
Equity attributable to owners of the Company		**3,094,607**	1,150,632
Non-controlling interests		**128**	–
		3,094,735	1,150,632

1. GENERAL

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

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparation for the listing of the Company's shares on the Hong Kong Stock Exchange, the entire equity interests of Famous Bedding Company Limited ("Famous Bedding" together with its subsidiaries, "Famous Bedding Group") was transferred to the Company by means of an exchange of shares on 7 December 2009 (the "Corporate Reorganisation"). Famous Bedding was incorporated on 26 April 2006 in Hong Kong with limited liability and was 70% owned by Man Wah Investments and 30% owned by Weston International Investment Limited ("Weston International") which was wholly owned by Mr. Yu Tung Wan, a director of the Company, from 1 April 2008 to the date of the exchange of shares. The Company issued a total of 57,616,000 new shares of HK$0.40 each with 40,331,000 shares issued to Man Wah Investments and 17,285,000 shares issued to Weston International to acquire the respective interests. Famous Bedding became a wholly owned subsidiary of the Company after the Corporate Reorganisation. Details of the Corporate Reorganisation were set out in the prospectus dated 18 March 2010 issued by the Company (the "Prospectus").

The consolidated financial statements of the Group throughout the year ended 31 March 2010 has been prepared as if the Company had always been the holding company of Famous Bedding. The financial information of the Famous Bedding Group has been incorporated in the consolidated financial statements using the principles of merger accounting as if the 70% equity interest in Famous Bedding held by Man Wah Investments was owned by the Company throughout the year ended 31 March 2010 and the 30% equity interest in Famous Bedding attributable to Mr. Yu Tung Wan was treated as non-controlling interests up to 7 December 2009. Accordingly, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended 31 March 2010 include the results, changes in equity and cash flows of the companies comprising the Group as at the date of the Corporate Reorganisation including Famous Bedding Group.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that have become mandatorily effective.

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations of which the acquisition date is on or after 1 April 2010. The requirements in IAS 27 (Revised) of "Consolidated and Separate Financial Statements" in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the year to which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions to which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. The application of amendment to IAS 17 has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and the application of the new standard will not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to IAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 is not expected to have a material impact on deferred tax recognised for investment properties that are measured using the fair value model.

IFRS 12 establishes disclosure objectives and specifies minimum disclosures to meet those objectives. IFRS 12 increases the disclosures on information that helps users of the consolidated financial statements evaluate the nature and risks associated with interests in other entities. The directors anticipate that the application of IFRS 12 may affect the disclosure of the Group's interests in jointly controlled entities including information about contractual relationship with the other parties to the jointly controlled entities and the nature of, and change in, the risks associated with its interests in jointly controlled entities.

IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. IFRS 13 extends the disclosure requirement on fair value measurements of fair value hierarchy to all assets and liabilities within its scope in addition to the fair value requirements under IFRS7. The directors anticipate that the application of IFRS 13 mayaffect the disclosures in relation to the fair value hierarchy for the Group's investment properties.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements of the Group.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

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

For the year ended 31 March 2011

	Sofa (export sales) *HK$'000*	Sofa (retail and wholesale in the PRC) *HK$'000*	Sofa (retail and wholesale in Hong Kong) *HK$'000*	Bedding products *HK$'000*	Total segments *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE							
External sales	**2,733,424**	**760,462**	**121,290**	**193,034**	**3,808,210**	**–**	**3,808,210**
Inter-segment sales	**114,647**	**52,860**	**–**	**12,185**	**179,692**	**(179,692)**	**–**
	2,848,071	**813,322**	**121,290**	**205,219**	**3,987,902**	**(179,692)**	**3,808,210**
RESULTS							
Segment results	**537,426**	**121,619**	**6,202**	**45,089**	**710,336**	**(27,190)**	**683,146**
Interest income							**31,129**
Rental income							**2,777**
Exchange gain – net							**30,221**
Fair value gain on investment properties							**5,019**
Gain on changes in fair value of derivative financial instruments							**4,420**
Finance costs							**(1,479)**
Central administrative costs and directors' salaries							**(76,159)**
Share of profit of jointly controlled entities							**1,640**
Profit before income tax							**680,714**

For the year ended 31 March 2010

	Sofa (export sales) *HK$'000*	Sofa (retail and wholesale in the PRC) *HK$'000*	Sofa (retail and wholesale in Hong Kong) *HK$'000*	Bedding products *HK$'000*	Total segments *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE							
External sales	2,060,441	556,950	121,436	193,390	2,932,217	–	2,932,217
Inter-segment sales	63,172	28,244	–	9,755	101,171	(101,171)	–
	2,123,613	585,194	121,436	203,145	3,033,388	(101,171)	2,932,217
RESULTS							
Segment results	490,345	138,547	14,440	78,422	721,754	(20,325)	701,429
Interest income							3,542
Rental income							2,473
Exchange loss – net							(7,512)
Gain on liquidation of a subsidiary							138
Fair value gain on investment properties							1,755
Gain on changes in fair value of derivative financial instruments							18,463
Finance costs							(4,244)
Central administrative costs and directors' salaries							(45,243)
Share of loss of jointly controlled entities							(1,889)
Profit before income tax							668,912

Inter-segment sales are charged at prevailing market price.

Other information:

	Sofa (export sales) ***HK$'000***	**Sofa (retail and wholesale in the PRC)** ***HK$'000***	**Sofa (retail and wholesale in Hong Kong)** ***HK$'000***	**Bedding products** ***HK$'000***	**Total** ***HK$'000***
Amounts included in the measure of segment profit:					
For the year ended 31 March 2011					
(Loss) gain on disposal of property, plant and equipment	**–**	**(3)**	**(989)**	**40**	**(952)**
Depreciation and amortisation	**25,424**	**14,379**	**11,788**	**4,147**	**55,738**
Release of lease premium for land	**2,171**	**–**	**–**	**–**	**2,171**
Impairment loss on trade receivables	**76**	**–**	**401**	**–**	**477**
Impairment loss on inventories	**–**	**–**	**–**	**1,104**	**1,014**

	Sofa (export sales) *HK$'000*	Sofa (retail and wholesale in the PRC) *HK$'000*	Sofa (retail and wholesale in Hong Kong) *HK$'000*	Bedding products *HK$'000*	Total *HK$'000*
For the year ended 31 March 2010					
(Loss) gain on disposal of property, plant and equipment	(15)	–	(23)	124	86
Depreciation and amortisation	11,548	8,190	12,873	4,895	37,506
Release of lease premium for land	1,300	–	–	–	1,300
Impairment loss on trade receivables	1,106	–	–	1	1,107

Geographical information:

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

	2011 *HK$'000*	2010 *HK$'000*
United States of America ("U.S.")	**2,068,581**	1,334,464
Canada	**173,894**	188,040
PRC (including Hong Kong)	**1,074,786**	871,776
Europe *(note)*	**323,118**	392,885
Others *(note)*	**167,831**	145,052
	3,808,210	2,932,217

Note: The countries included in these two categories included mainly United Kingdom, Ireland, Spain, Australia and Taiwan. No further analysis by countries of these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

All of the Group's non-current assets, excluding the loan to a jointly controlled entity and the deferred tax assets, are located in the PRC (including Hong Kong) at the end of the reporting period.

Information about major customers:

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2010: None). The top five customers contributed around 25% (2010: 25%) of revenue of the Group for the year ended 31 March 2011.

Revenue from major products:

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

5. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Interest on:		
Trust receipt loans	**2**	9
Bank borrowings wholly repayable within five years	**1,477**	4,235
	1,479	4,244

6. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,326**	6,873
PRC Enterprise Income Tax	**55,166**	42,498
U.S.	**3,030**	–
	59,522	49,371
(Over) under provision in prior years:		
Hong Kong	**(544)**	(236)
PRC Enterprise Income Tax	**21**	271
U.S.	**430**	–
	(93)	35
Deferred tax:		
Current year	**(17)**	2,161
	59,412	51,567

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated at 6.9% on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions pursuant to the relevant laws and regulations of local government.

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.

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

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

	2011	2010
	HK$'000	*HK$'000*
Profit before income tax	**680,714**	668,912
Tax at the Hong Kong Profit Tax rate *(note a)*	**112,318**	110,370
Tax effect of expenses not deductible in determining taxable profit	**7,154**	6,386
Tax effect of income not taxable in determining taxable profit	**(2,148)**	(478)
(Over) under provision in prior years	**(93)**	35
Effect of different tax rates of subsidiaries operating in other jurisdiction	**8,120**	2,925
Tax effect of tax losses not recognised	**10,519**	558
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**–**	1,968
Tax effect of profit of subsidiaries under concessionary rate *(note b)*	**(7,893)**	(5,450)
Tax effect of profit of a subsidiary under tax exemption in Macau	**(68,565)**	(64,747)
Tax charge for the year	**59,412**	51,567

Notes:

(a) Hong Kong Profit Tax rate is the applicable tax rate of the Group as the Group has profits subject to Hong Kong Profit Tax rate and central managerial and administrative function of the Group are carried out in Hong Kong. The applicable tax rate is 16.5% for both years.

(b) Pursuant to the relevant laws and regulations in the PRC, Man Wah Furniture Manufacturing (Huizhou) Co., Ltd. ("Man Wah Huizhou") and Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. ("Man Wah Furniture (SZ)") are exempted from the PRC enterprise income tax for two years starting from their first profit making year, followed by a 50% reduction on tax rate for the next three years. The first profit-making year of Man Wah Huizhou and Man Wah Furniture (SZ) were 2007 and 2005 respectively. Man Wah Furniture (SZ) has ended the concessionary rate on 31 December 2009.

7. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**622,296**	605,799
	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**965,429**	711,977
Effect of dilutive potential ordinary shares		
– Unvested awarded shares	**58**	–
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**965,487**	711,977

The weighted average number of shares for calculating basic earnings per share for the year ended 31 March 2010 has been retrospectively adjusted for the issuance of 40,331,000 shares of the Company as a result of the acquisition of 70% equity interest of Famous Bedding as described in note 2. The weighted average number of shares for the year ended 31 March 2011 has been arrived at after eliminating the shares of the Company held under the share award scheme.

The computation of diluted earnings per share for the current year does not assume the exercise of the Company's outstanding share options because the adjusted exercise price of these options was higher than the average market price for shares for the year.

No diluted earnings per share is presented for the year ended 31 March 2010 as the Company did not have any potential ordinary shares in issue during that year or at the end of that reporting period.

8. DIVIDENDS

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

	2011	2010
	HK$'000	*HK$'000*
Final dividend for 2010 of HK$0.16 per share	**155,382**	–
Special dividend for 2010 of HK$0.06 per share	**58,268**	–
Interim dividend for 2011 of HK$0.134 (2010: HK$0.4029 for 2010) per share	**130,132**	268,400
Total paid	**343,782**	268,400

In addition, an interim dividend of HK$120,000 in respect of the year ended 31 March 2010 has been declared by Famous Bedding during the year prior to the completion of the Corporate Reorganisation.

A final dividend of HK$0.13 per share in respect of the year ended 31 March 2011, amounting to approximately HK$126,248,000 has been proposed by the Board and is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables		
Trade and bills receivables	**332,950**	195,707
Less: allowance for doubtful debts	**(1,106)**	(2,791)
	331,844	192,916

Other than cash and credit card sales for retail transactions, the Group generally allows a credit period of 30 to 90 days. The aged analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables:		
0 – 30 days	**201,858**	111,131
31 – 60 days	**70,976**	58,167
61 – 90 days	**45,459**	19,649
Over 90 days	**13,551**	3,969
	331,844	192,916

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2011	2010
	HK$'000	*HK$'000*
Trade and bills payables	**221,475**	167,305

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

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

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**207,411**	148,665
31 – 60 days	**11,861**	16,865
61 – 90 days	**706**	763
Over 90 days	**1,497**	1,012
	221,475	167,305

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Man Wah Holdings Limited ("Man Wah" or the "Company") and its subsidiaries (the "Group") achieved remarkable revenue growth in the year ended 31 March 2011 ("FY2011" or "Review Period"). During the Review Period, we experienced significant material cost inflation. We successfully maintained our gross profit margin within normal level.

Brand building

In the People's Republic of China (the "PRC" or "China") market, we continue to introduce recliner sofa to our customers, which is still relatively new to most of Chinese consumers. At the same time, we keep differentiating ourself as a healthy, comfortable, valuable and fashionable recliner sofa provider.

In oversea markets, we successfully set up our brand image within furniture retailors as high quality recliner sofa provider, with attractive price and reliable delivery time. After years of cooperation with key furniture retailors, we believe we are well recognised by the furniture retailors because of our good quality products with a reasonable price.

During the Review Period, we continued promoting our brand and products through attending a number of major international furniture fairs. This year, we also achieved our maiden participation in United Kingdom largest exhibition "Interiors 2011" in Birmingham from 23 to 26 January 2011. At this exhibition, the Company received more than USD1.8 million orders predominately from new customers.

Product

During the Review Period, our number of employees in product research, design and development team ("R&D team") has increased from last year's 67 to 88. The R&D team include experts from Europe, US and China, with background including sofa design, manufacturing, metal framework design, foam development, motor development and high speed train product development. Apart from keep providing more choices of sofa to satisfy different customer needs, the R&D team is also responsible for vertical integration, to further reduce cost, and improve efficiency. During the Review Period, the average material cost rose by 27.6%, but our gross profit margin was not materially affected. Part of this achievement came from the effort of our R&D team.

During the Review Period, the R&D team successfully introduced more than 100 new sofa models and received customer orders in the same year.

During the Review Period, we successfully started our cooperation with large commercial clients. By the end of the Review Period, we have already delivered approximately HK$35 million high speed train sofa and other furniture products to customers. We have set up a professional and efficient R&D team to keep developing new furniture products for commercial customers. This will become one of new driver.

Sales channel

During the Review Period, the Company continues its twin-pronged strategy: prominent retail presence in China and direct exports to oversea customers.

Retail sales

As at 31 March 2011, Man Wah operated 121 "CHEERS" specialty stores and 70 "Enlanda" specialty stores in 18 cities in the PRC, including Shenzhen, Guangzhou, Shanghai and Beijing ("Enlanda" only) and 9 "CHEERS", "Enlanda" and "Morewell" stores in Hong Kong.

As at 31 March 2011, distributors operated 405 Cheers stores, and 255 Enlanda stores in the mainland China market. These stores are set up in locations approved by Man Wah and the distributors are required to sell Man Wah's products exclusively in these stores. Our distributors are not allowed to operate in cities or provinces where Man Wah has self-operated stores. Distributors operate "CHEERS" and "Enlanda" specialty stores in major cities in over 20 provinces in the PRC including Beijing ("CHEERS" only), Xiamen, Qingdao, Nanjing, Kunming and Tianjin.

Direct exports

Our "CHEERS" products are exported to overseas retailers, US and Europe are still our key oversea markets. In the US market, we continue to increase our customer base. During the Review Period, we continued to cooperate with major furniture retailers, including Flexsteel Industries Inc, Rooms To Go Furniture Corporation. During the Review Period, we further expanded our customer base. We also successfully began our cooperation with Macy's Inc, a company incorporated in the US. Now our sofa products have been sold in more than 200 Macy's retail department stores in the US. Macy's ordered more models from us significantly. We believe Macy's will become one of our most important customers in the coming year. During the High Point Fair held in April 2011 in the US, we increased 16 retailers as our new customers.

In Europe, we are strengthening more local sales force to have better understanding of customer needs. In the coming financial year, we believe European sales team will bring better growth.

Internal operation

During the Review Period, the company successfully upgraded its Enterprise Resource Planning ("ERP") system to SAP system. The SAP system can help the Company to integrate all major functions, including procurement, manufacturing, export, local retail management, finance, human resource. The SAP system will further improve the Company's operation efficiency and its competitive advantage.

During the Review Period, the Company increased its investment in human resource management. For example, in cooperation with Peking University, the Company launched a tailor made management training course, where more than 100 management level employees attended the course, focusing on marketing and retail management.

In the next year, with the help of some outside consultants, the Company is continuing improve its manufacturing efficiency.

FINANCIAL REVIEW

Revenue and gross profit margin breakdown by export and PRC sales

	Revenue *(HK$'000)*			As a percentage of sales *(%)*		Gross profit margin *(%)*	
	2011	2010	Change %	**2011**	2010	**2011**	2010
Sofa export sales	**2,733,424**	2,060,441	32.7%	**71.8%**	70.3%	**40.7%**	39.7%
Sofa PRC sales	**760,462**	556,950	36.5%	**20.0%**	19.0%	**44.7%**	43.2%
Bedding PRC sales	**193,034**	193,390	-0.2%	**5.0%**	6.6%	**56.5%**	64.5%
HK retail & wholesale sales	**121,290**	121,436	-0.1%	**3.2%**	4.1%	**46.6%**	60.5%
Total	**3,808,210**	2,932,217	29.9%	**100.0%**	100.0%	**42.5%**	42.9%

For the FY2011, the total revenue of the Group increased by approximately 29.9% to approximately HK$3,808.2 million (financial year ended 31 March 2010 ("FY2010"): HK$2,932.2 million); whereas the gross profit margin was 42.5%. This was slightly lower than last year's 42.9%.

During the Review Period, cost of goods sold increased by 30.8%. The increase was in line with the growth of revenue. During the Review Period, the leather price increased by 39.8% during the whole year, which was the highest increase in the past 20 years. The weighted average material cost increased by 27.6% during the Review Period.

In order to absorb the higher material cost, we reviewed the margin movement each quarter, and adjust selling price on time.

The average selling price in PRC market increased by 13.0% during the Review Period. We have increased our selling price three times, ie: 5% in May 2010, 2.5% in October 2010 and 3% in January 2011. On 1 May 2011, we also increased our selling price again by 5%.

In the overseas market, the average selling price was increased by 5%-10% during the Review Period.

Since April 2011, we have been negotiating with most of export customers to further increase our selling price. The average price increase during April and May 2011 was about 6-10% for leather sofa, about 2% for fabric sofa. We will keep monitoring the material cost movement and further adjust our price list when needed.

During the Review Period, we have gained about 40 new export customers when comparing with FY2010, in addition, the recovery in the global economy in 2010 helped the Group to post better export sales of approximately HK$2,733.4 million (FY2010: HK$2,060.4 million). The PRC sofa sales also grew impressively by approximately 36.5% to approximately HK$760.5 million (FY2010: HK$557.0 million).

Man Wah International Markets

Revenue by Geographical Segment

Revenue Breakdown by region (HK$'000)

	PRC	**US**	**Europe**	**Canada**	**HK**	**Others**
FY2011	953,496	2,068,581	323,118	173,894	121,290	167,831
FY2010	750,340	1,334,464	392,885	188,040	121,436	145,052

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

	FY2011	FY2010	Change
Sales volume *(sets)*	**503,600**	406,900	23.8%
Average Selling Price *(HK$)*	**6,769**	6,325	7.0%
Gross Profit Margin	**41.7%**	41.3%	0.1%

Sales from the PRC bedding sales was HK$193.0 million (FY2010: HK$193.4 million). Which was a decrease of 0.2%. In FY2011, the reason of the sales decline was mainly due to closure of some underperforming stores.

PRC sofa sales (self-operated vs distributors)

	FY2011	FY2010
CHEERS stores		
Self-operated stores	**121**	74
Distributor-operated stores	**284**	222

PRC bedding sales (self-operated vs distributors)

	FY2011	FY2010
ENLANDA stores		
Self-operated stores	**70**	43
Distributor-operated stores	**185**	170

Revenue from CHEERS brand sofa products rose by approximately 26.8% to approximately HK$3,377.5 million (FY2010: HK$2,662.8 million), accounting for approximately 88.7% of the total revenue. The growth in revenue was mainly due to the increase in the sales volume by approximately 23.8% to 503,600 sets (FY2010: 406,900 sets) and the average selling price by approximately 7.0% to HK$6,769 per sofa set (FY2010: HK$6,325). The growth in average selling price was primarily as a result of increase in average selling price for the PRC market by approximately 13.0% from approximately HK$10,800 to HK$12,200 per sofa set and export market by approximately 7.0% from approximately HK$5,700 to HK$6,100 per sofa set.

Cost of goods sold

Cost of goods sold breakdown

	FY2011 *HK$'000*	FY2010 *HK$'000*	Change *(%)*
Cost of raw materials consumed	**1,982,919**	1,515,465	30.9%
Labour Costs	**172,313**	134,634	28.0%
Manufacturing overhead	**35,575**	25,463	39.7%
Total	**2,190,807**	1,675,562	30.8%

Raw Material (Average unit cost)	Unit	**FY2011** *HK$*	FY2010 *HK$*	Change %	% of total cost of sales
Leather	sqft	**13.18**	9.43	39.8%	43.6%
Foam	kg	**14.27**	10.22	39.6%	3.0%
Metal	pc	**145.57**	123.28	18.1%	15.0%
PVC	yard	**12.85**	10.03	28.1%	2.5%
Wood	pc	**86.67**	84.20	2.9%	4.8%
Fabric	yard	**34.08**	26.15	30.3%	5.4%
Chemicals	tonne	**1,201.45**	1,232.01	–2.5%	6.7%

Despite of the significant growth in material cost, we are still able to maintain our gross profit margin as 42.5%, which is quite close to FY2010 of 42.9%. The reasons for stable gross profit margin are as follows:

(a) increased economy of scale helped in sharing less manufacturing overhead per sofa unit;

(b) improved efficiency, as a result of continuous improvement in research and development, manufacturing, ERP system upgrade;

(c) attractive remuneration to workers ensured lower than industry turnover rate, enable us to retain more experienced workers; and

(d) expertise accumulated as we keep focusing on recliner sofa sector.

During the Review Period, cost of goods sold increased by 30.8% when comparing with FY2010, mainly because of the increase in our sales partially offset by savings arising from increased economies of scale in our operations, improved efficiencies.

Other gains and losses

Other gains and losses for the Review Period increased by approximately 223.4% to HK$38,231,000, which was due to gain on changes in fair value of derivative financial instruments of approximately HK$4,420,000 and net foreign exchange gain in FY2011 of approximately HK$30,221,000 (loss in FY2010: HK$7,512,000).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 70.6% from approximately HK$449,137,000 to approximately HK$766,063,000 which was mainly due to an increase in the PRC and export sales. The increase was mainly attributed to:

(a) transportation, port charges and freight costs increased by approximately HK$188,969,000 to approximately HK$428,161,000. The major reason for the increase was the increase of export sales as well as the increase of unit ocean shipping cost. During the Review Period, the average unit ocean shipping cost increased by more than 30%. Since the fourth quarter of 2010, the unit ocean shipping cost has been declining. The average ocean shipping cost of April and May 2011 was 10% lower than FY2011's average;

(b) commissions and salaries related to sales increased by approximately HK$16,285,000 to approximately HK$77,643,000, the increase was in line with the revenue growth;

(c) rental, rates and building management fee increased by approximately HK$36,812,000 to approximately HK$119,852,000. The major reason of the increase was the expansion of PRC's retail network; and

(d) promotion and advertising expenses increased by approximately HK$49,390,000 to approximately HK$64,955,000.

During the Review Period, we increased our investment in brand building and promotion in the PRC market. The promotion and advertising expense was 6.4% of total PRC sales from last year's 2.0%. Based on Euromonitor's recent research report, the recliner sofa sales contributed only 6.8% of total sofa sales in mainland China of 2010, compared with 36.7% in USA. We are confident with the future market potential in China. We believe we need to put more effort in customer education for the introduction of recliner sofa.

General and administrative expenses

General and administrative expenses increased by approximately HK$96,538,000 or approximately 61.2% from approximately HK$157,814,000 to approximately HK$254,352,000. The increase was mainly attributed to:

(a) salaries, allowance and other staff costs increased by approximately HK$31,791,000 or approximately 59.1% from approximately HK$53,775,000 to approximately HK$85,566,000 due to increase in number of staff and staff salaries during the Review Period; and

(b) depreciation expense increased by approximately HK$24,055,000 or approximately 180.2% from approximately HK$13,347,000 to approximately HK$37,402,000 due to the addition of property, plant and equipment during the Review Period.

Share of results of jointly controlled entities

Share of profit of jointly controlled entities of approximately HK$1,640,000 which is mainly due to reversal of impairment loss of interest in Huizhou Ao Li Electronic Technology Company, Limited of approximately HK$1,600,000.

Finance costs

Finance costs decreased by approximately HK$2,765,000 or approximately 65.2% from approximately HK$4,244,000 to approximately HK$1,479,000 due to the repayment in bank borrowings.

Income tax expense

Income tax expense increased by approximately HK$7,845,000 or approximately 15.2% from approximately HK$51,567,000 to approximately HK$59,412,000 which is mainly due to the increase in operating profit. During the Review Period, the effective tax rate was 8.7%, close to FY2010 of 7.7%.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company increased by approximately HK$16,497,000 or approximately 2.7% from approximately HK$605,799,000 to approximately HK$622,296,000. The net profit margin for the Review Period decreased from approximately 21.1% to approximately 16.3%. Decrease in net profit margin was mainly due to increase in selling and distribution expense, especially growth in shipping cost.

Dividend

The Board declared a final dividend of HK13 cents per share, together with an interim dividend of HK$13.4 cents per share, dividend declared was 41% of profit attributable to owners of the Company for the FY2011.

Working capital

As at 31 March 2011, our bank balances and cash were approximately HK$1,611,164,000.

We seek to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the continuing expansion of our business. While we do not currently have any plans to raise material external debt financing, we may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due.

Liquidity and capital resources

As at 31 March 2011, the Group's bank borrowings amounted to approximately HK$17.5 million, which were repayable within twelve months from 31 March 2011. All loans bore interest at variable rates.

The Group's primary source of operating funds are cash flow from operating activities and cash and bank balances. As at 31 March 2011, the Group's current ratio was 5.81 (31 March 2010: 2.04). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2011, the Group's gearing ratio was 0.6% (31 March 2010: 12.8%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

Impairment loss on inventory

For the Review Period, the Group provided impairment loss on inventory of approximately HK$1,104,000 (FY2010: Nil).

Impairment loss on trade receivables

As at 31 March 2011, the Group provided impairment loss on trade receivables of approximately HK$477,000 (FY2010: HK$1,107,000).

Pledge of assets

As at 31 March 2010, the Group had pledged certain bank deposits, investment properties and plant and machinery to banks to secure for bank borrowings. The aggregate carrying value of these assets was approximately HK$31,447,000. The pledge of assets has been released upon cancellation of the relevant banking facilities during the year ended 31 March 2011.

Contingent liabilities

As at 31 March 2010, the Group did not have any contingent liabilities.

Foreign currency risks

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

Significant investments and acquisitions

The Group did not have any significant investments or acquisitions or sales of subsidiaries. The Group continued to seek opportunities to acquire and work with international furniture retailers to generate more returns for our Shareholders.

Use of proceeds from the global offering

We have received gross proceeds from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") of approximately HK$1,681,773,000. With reference to the supplemental prospectus of the Company dated 29 March 2010, the proceeds will be used for, among other things, (i) establishing 25 furniture outlets in the PRC, (ii) establishing a production and distribution centre in northern PRC, (iii) construction of new production and distribution facility in Wujiang, Jiangsu, (iv) expansion of "CHEERS" and "ENLANDA" specialty stores in the PRC, (v) construction of phase 3 of our Huizhou facility (vi) promotion and brand building, and (vii) for daily operation.

As at the reporting date, we have spent part of the proceeds on the above projects: (i) approximately HK$242,668,000 on construction of phase 3 of our Huizhou facility, (ii) approximately HK$170,963,000 on construction of new production and distribution facility in Wujiang, Jiangsu, (iii) approximately HK$60,714,000 on expansion of "CHEERS" and "ENLANDA" specialty stores, and (iv) approximately HK$78,600,000 on the promotion and brand building.

Human resources

As at 31 March 2011, the Group had 6,271 employees (FY2010: 5,655 employees).

The Group provides introductory orientation programs and continuous training to its employees that cover industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standard of its staff. The Group will strive to strengthen human resources management to provide strong support for the development of the Group's business through staff recruitment initiatives and the optimisation of the development of its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future. During the Review Period, the Group arranged for more than 100 management staff to attend a Mini Master of Business Administration course held at Peking University. With the implementation of the human resources module of the new ERP system, the human resource management is now highly integrated to the overall operation of the Company.

As at 31 March 2011, the total staff cost for the Group amounted to approximately HK$333.9 million (FY2010: HK$238.9 million), of which approximately HK$17.9 million (2010: HK$8.5 million) was Directors' emoluments.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares since it was listed. Neither the Company nor any of its subsidiaries purchased or sold any of the Company listed shares during the Review Period.

AUDIT COMMITTEE

The Company's audit committee ("Audit Committee") currently consists of three independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Ms. Chan Wah Man, Carman and Mr. Lee Teck Leng, Robson, and a non-executive Director, Mr. Ong Chor Wei. None of them is, or has previously been, a member of the Company's current or previous external auditors within the past financial year. The Chairman of the Audit Committee, Mr. Chau, possesses the professional qualifications and financial management expertise required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Working closely with the external auditors, the Audit Committee has reviewed the Group's audited consolidated results for the financial year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the financial year ended 31 March 2011.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of all Directors, the Directors confirmed they had strictly complied with the standards set out in the Model Code during the Review Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 July 2011 to Monday, 25 July 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Wednesday, 20 July 2011 for registration. The proposed final dividend (the payment of which is subject to the Company's shareholders' approval at the forthcoming annual general meeting) is to be payable on or about 1 August 2011 to the Company's shareholders whose name appear on the register of members of the Company on Monday, 25 July 2011. The shares of the Company will trade ex-dividend on Thursday, 21 July 2011.

SCOPE OF WORK OF MESSERS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2011 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Review Period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

By order of the Board
Man Wah Holdings Limited
Wong Man Li
Chairman

Hong Kong, 15 June 2011

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Li Jianhong, Mr. Stephen Allen Barr, Mr. Yu Tung Wan and Mr. Wang Guisheng. The non-executive Directors are Mr. Ong Chor Wei and Mr. Francis Lee Fook Wah. The independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson and Ms. Chan Wah Man, Carman.