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 2014

AND

CLOSURE OF REGISTER OF MEMBER

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 2014 ("FY2014", "Current FY", the "Review Period" or the "Reporting Period") together with the comparative figures for the previous financial year ended 31 March 2013 ("FY2013", "Last Corresponding Period" or the "Last FY").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	3	**5,991,060**	4,876,976
Cost of goods sold		**(3,860,027)**	(3,105,818)
Gross profit		**2,131,033**	1,771,158
Other income		**286,369**	89,231
Other gains and losses		**69,542**	33,396
Selling and distribution expenses		**(972,706)**	(934,550)
Administrative expenses		**(338,568)**	(325,907)
Share of profit of a joint venture		**8,877**	7,374
Share of profit (loss) of an associate		**12,314**	(1)
Finance costs		**(43,160)**	(16,807)
Profit before income tax		**1,153,701**	623,894
Income tax expense	4	**(167,373)**	(58,050)
Profit for the year	5	**986,328**	565,844
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(29,632)**	27,582
Reclassification of translation reserve upon disposal of subsidiaries		**535**	–
Total comprehensive income for the year		**957,231**	593,426
Profit for the year attributable to:			
Owners of the Company		**976,965**	568,401
Non-controlling interest		**9,363**	(2,557)
		986,328	565,844
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**948,061**	595,757
Non-controlling interest		**9,170**	(2,331)
		957,231	593,426
Earnings per share			
Basic (HK cents)	6	**107.28**	62.85
Diluted (HK cents)		**102.29**	62.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**1,606,740**	1,531,884
Investment properties		**17,200**	31,894
Lease premium for land		**542,855**	445,464
Intangible assets		**852**	1,082
Interest in a joint venture		**10,365**	7,721
Interest in an associate		**12,318**	4
Loan to an associate		**56,539**	19,040
Available-for-sale investment		**3,740**	3,749
Deferred tax assets		**2,881**	2,293
Refundable earnest money paid for lease premium for land		**4,216**	4,226
Deposit paid for acquisition of a land lease		**–**	16,244
Deposits paid for acquisition of property, plant and equipment		**53,115**	38,595
Derivative financial instruments		**–**	558
		2,310,821	2,102,754
Current assets			
Inventories		**701,959**	635,668
Trade receivables	*8*	**500,897**	369,119
Other receivables and prepayments		**214,930**	197,640
Lease premium for land		**12,028**	9,567
Derivative financial instruments		**23,103**	24,586
Tax recoverable		**996**	317
Restricted bank balances		**2,929**	5,967
Bank balances and cash		**2,362,450**	1,655,439
		3,819,292	2,898,303
Current liabilities			
Trade payables	*9*	**290,472**	259,135
Other payables and accruals		**357,227**	311,793
Unsecured bank borrowings		**537,870**	745,660
Derivative financial instruments		**3,796**	–
Convertible bonds – current portion		**5,218**	–
Tax payable		**45,970**	9,345
		1,240,553	1,325,933
Net current assets		**2,578,739**	1,572,370
Total assets less current liabilities		**4,889,560**	3,675,124

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**4,877**	5,908
Derivative financial instruments	**–**	249
Convertible bonds – non-current portion	**251,412**	–
Government grant receipt in advance	**130,960**	200,394
	387,249	206,551
	4,502,311	3,468,573
Capital and reserves		
Share capital	**380,039**	356,412
Reserves	**4,074,541**	3,073,600
Equity attributable to owners of the Company	**4,454,580**	3,430,012
Non-controlling interest	**47,731**	38,561
	4,502,311	3,468,573

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 with effect from 9 April 2010.

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

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

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

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB"):

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 (as revised in 2011) "Separate Financial Statements" and IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and SIC – Int – 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. April 2013) and concluded that adoption of IFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with the investees as at 1 April 2013.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 "Interests in Joint Ventures", and SIC – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a joint venture).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the application of this new standard had no impact on the Group's results of operations or financial position.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, join arrangements, associates and/or unconsolidated structure entities. The directors of the Company anticipated that the application of IFRS 12 does not have significant impact to the Group's consolidated financial statements as none of the Group's associate, joint venture nor non-controlling interest of the non-wholly owned subsidiary is individually material to the Group.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[6]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2016

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

IFRS 9 ***Financial Instruments***

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of IFRS 9 in the future may have impact on the amount reported in respect of the Group's available-for-sale investment. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the sofa business focused on the location of customers.

During the year, the Group reorganised the structure of its sales teams for better management and accountabilities. Reflecting this organisational reconfiguration, information for different sales teams is reported separately to the Group's executive directors for the purposes of allocating resources to the segments and assessing the performance of the segment.

In compliance with the requirements of IFRS 8 Operating Segments, this organisational reconfiguration led to a change in the segment report for all comparable periods. The four existing operating and reportable segments – Sofa (export sales), Sofa (retail and wholesale in Mainland China), Sofa (retail and wholesale in Hong Kong) and Bedding products have therefore been converted into three operating and reportable segments that representing different sales teams: "North America market", "Europe and other overseas markets" and "China market".

Comparative segment information was revised to conform to current operating structure.

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

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 gain/loss, fair value gain on investment properties, net gain on changes in fair value of derivative financial instruments, finance costs, loss on disposal of subsidiaries, central administrative costs and directors' emoluments, share of profit of a joint venture and share of profit (loss) of an associate. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

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

For the year ended 31 March 2014

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

For the year ended 31 March 2013 (as restated)

	North America market *HK$'000*	Europe and other overseas markets *HK$'000*	China market *HK$'000*	Total *HK$'000*
REVENUE				
External sales	2,752,249	732,583	1,392,144	4,876,976
RESULTS				
Segment results	310,172	99,007	202,455	611,634
Interest income				2,837
Income on structured deposits				48,279
Rental income				3,002
Exchange gain – net				5,890
Fair value gain on investment properties				1,723
Gain on changes in fair value of derivative financial instruments – net				26,056
Finance costs				(16,807)
Central administrative costs and directors' emoluments				(66,093)
Share of profit of a joint venture				7,374
Share of loss of an associate				(1)
Profit before income tax				623,894

Other information:

	North America market *HK$'000*	**Europe and other overseas markets** *HK$'000*	**China market** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment result:				
For the year ended 31 March 2014				
Loss (gain) on disposal of property, plant and equipment	**143**	**54**	**(171)**	**26**
Depreciation and amortisation	**57,042**	**17,428**	**67,984**	**142,454**
Release of lease premium for land	**1,796**	**517**	**9,107**	**11,420**
Impairment loss on trade receivables	**91**	**–**	**1,171**	**1,262**
Impairment loss on property, plant and equipment	**5,226**	**1,505**	**–**	**6,731**
Allowance for inventories	**(1,667)**	**(481)**	**5,827**	**3,679**

	North America market HK$'000	Europe and other overseas markets HK$'000	China market HK$'000	Total HK$'000
For the year ended 31 March 2013 (as restated)				
(Gain) loss on disposal of property, plant and equipment	227	56	(556)	(273)
Depreciation and amortisation	47,857	14,168	61,996	124,021
Release of lease premium for land	1,973	526	10,021	12,520
Impairment loss on trade receivables	440	106	–	546
Allowance for inventories	4,877	1,299	–	6,176

Geographical information:

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

	2014 *HK$'000*	2013 *HK$'000*
United States of America ("U.S.")	**3,036,615**	2,550,195
Canada	**249,427**	200,906
PRC (including Hong Kong)	**1,757,209**	1,391,323
Others (including Europe)	**947,809**	734,552
	5,991,060	4,876,976

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

Substantial portion of the Group's non-current assets are located in Mainland China and Hong Kong at the end of the reporting period.

Information about major customers:

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2013: none).

Revenue from major products:

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

	2014 *HK$'000*	2013 *HK$'000*
Sofas	**5,372,875**	4,385,220
Bedding products	**222,762**	209,061
Others	**395,423**	282,695
	5,991,060	4,876,976

4. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**169,800**	56,832
U.S.	**798**	2,325
	170,598	59,157
Overprovision in prior years:		
PRC EIT	**(1,580)**	(65)
U.S.	**–**	(445)
	(1,580)	(510)
Deferred tax	**(1,645)**	(597)
	167,373	58,050

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

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

The EIT Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders.

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

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

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

5. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**38,166**	28,574
Other staff costs		
Salaries and other allowances, including share option expenses	**632,781**	494,091
Retirement benefit scheme contributions, excluding those of directors	**37,825**	31,122
Share award scheme expenses, excluding those of directors	**366**	1,012
Total staff costs	**709,138**	554,799
Auditor's remuneration	**2,929**	2,548
Release of lease premium for land	**11,420**	12,520
Amortisation of intangible assets (recognised in selling and distribution expenses)	**231**	225
Depreciation	**142,223**	123,796
Cost of inventories recognised as an expense	**3,837,028**	3,083,936
Research and development expenditure	**19,320**	15,706
Allowance for inventories (recognised in cost of goods sold)	**3,679**	6,176
Recognised in other income include:		
Interest income	**(2,082)**	(2,837)
Income on structured deposits	**(105,771)**	(48,279)
Rental income from investment properties	**(641)**	(3,002)
Government grant recognised in other income	**(128,785)**	(3,941)

6. EARNINGS PER SHARE

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

Earnings

	2014	2013
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**976,965**	568,401
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	**25,033**	–
	1,001,998	568,401

Number of shares

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	910,649	904,433
Effect of dilutive potential ordinary shares		
– Unvested awarded shares	217	289
– Share options	9,705	509
– Convertible bonds	59,015	–
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	979,586	905,231

The weighted average number of shares for the years ended 31 March 2014 and 2013 have been arrived at after eliminating the shares of the Company held under the share award scheme.

7. DIVIDENDS

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

	2014	2013
	HK$'000	*HK$'000*
Final dividend for 2013 of HK$0.18 (2013: HK$0.07 for 2012) per share	**159,402**	63,027
Interim dividend for 2014 of HK$0.25 (2013: HK$0.1 for 2013) per share	**227,527**	89,104
	386,929	152,131

A final dividend of HK25.0 cents per share in respect of the year ended 31 March 2014, amounting to approximately HK$237,570,000 has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade and bills receivables	**500,897**	369,119

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

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**344,586**	243,706
31 – 60 days	**105,375**	82,114
61 – 90 days	**33,043**	33,575
Over 90 days	**17,893**	9,724
	500,897	369,119

9. TRADE PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade and bills payables	**290,472**	259,135

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:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**261,835**	205,318
31 – 60 days	**20,292**	35,537
61 – 90 days	**5,883**	17,321
Over 90 days	**2,462**	959
	290,472	259,135

10. CAPITAL COMMITMENTS

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**69,988**	60,630
– construction of production plant	**161,098**	3,359
– lease premium for land	**–**	43,381
	231,086	107,370
Capital expenditure authorised for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**119,671**	–
– lease premium for land	**15,788**	–
	135,459	–

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During FY2014, the Group actively developed new products and adjusted product mix to expand market share, achieving satisfactory sales growth in various major markets. In the meantime, the Group devoted its efforts to enhancing operational efficiency and strengthening cost control. As a result, the Group recorded a substantial increase in net profits during the Review Period compared with the Last Corresponding Period.

Steady Improvement in the China market

During the Review Period, the Chinese economy steadily improved, enabling the Group's continued business expansion in the Mainland China market, which propelled the growth of total revenue. According to the data released by the National Bureau of Statistics of the People's Republic of China, China's GDP made year-on-year growth of 7.7% in 2013, while total retail sales of consumer goods rose by 13.1% year-on-year. These favourable economic data indicated steady development of the China economy, which has positively affected the overall retail consumption market. Attributable to the favorable macroeconomic conditions, the total retail sales of the furniture category in China grew by 21% year-on-year.

In addition, with the accelerated urbanization of rural areas in China combined with favorable housing policies of the government, the Group faced advantageous market conditions. According to the data of the National Bureau of Statistics, China's urbanization rate reached 53.73% in 2013, up by 1.16 percentage points compared with 2012, indicating that an increasing proportion of the rural population is becoming urban residents. The government is also promoting reforms in household registration, aiding the accelerated development of urbanization. In view of this, the Central Economic Working Conference has emphasized the construction and supply of indemnifactory housing such as low-rent housing and public rental housing since last year in order to better support urbanization. Also, according to the data of the National Bureau of Statistics, newly constructed and completed area of housing units in China rose annually by 13.5% and 2.0% respectively, while sales area of commercial residential building grew by 17.3% year-on-year. This indicated a strong market demand for residential units and should in turn propel the potential demand of furniture products. The government proposed the "Bidirectional Regulation" in March this year to regulate the supply structure of the real estate market, which in the long run, will benefit the overall development of the property market and spur the development potential of the furniture market.

Continued Recovery of the North America market

In 2013, the continued recovery of the residential property market and growth in personal consumption have led to a sustained recovery of the US economy. The US Federal Reserve announced at the end of last year that it will gradually reduce the scale of quantitative easing policies. The US government announced that the real US GDP grew by approximately 1.9% year-on-year in 2013. The policy and indicator suggested an improvement of the US economy. According to the data of the US Department of Commerce, total new home sales in 2013 were expected to reach 428,000 units, the highest record for the last five years.

Also, the nationwide survey report on economic trend conducted by U.S. Federal Reserve pointed out that personal consumption in most of the US regions continued to grow with increasing housing prices, housing sales and construction activities in most areas. The industry was optimistic on the prospects of the real estate market, which will benefit the development in the housing related market, such as the furniture industry. According to the market survey published by Euromonitor International in May 2014, the Group's market share in the U.S. reclining sofa market rose from 9.6% in 2012 to 9.9% last year[1] . In the market survey conducted by Furniture Today (a leading US furniture magazine) published in May 2014, the Group was ranked number 9 out of top ten suppliers of the US furniture market in calendar year 2013 compared with number 10 in calendar year 2012. It has become evident that the Group will be able to take advantage of market opportunities and continue to grow.

Accelerated growth of the European market

Economic indicators in various countries indicated an accelerated economic recovery in the Eurozone. Data from The European Statistical Office indicates the GDP of Eurozone grew by 0.3% in the last quarter of last year, which grew for the third consecutive quarter. In the fourth quarter of 2013, Germany's real GDP achieved year-on-year growth of 1.4%, while France achieved year-on-year growth of 0.8%. The recovery of major economic bodies has stimulated the consumption desire of local residents. The Group introduced high-cost-performance recliner sofas and also actively expanded new customer channels and promoted the brand, successfully grasping the opportunity to penetrate overseas markets and boost its business, resulting in satisfactory sales in Europe and other overseas markets while Europe has become the fastest growing region of the Group.

1. Disclaimer from Euromonitor International:

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

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

BUSINESS REVIEW

During FY2014, although there were numerous uncertainties within the global economy, accompanied by fluctuating foreign exchange rates and rising labor costs, the Group strengthened its internal control and persisted in quality and innovation to maintain steady growth in revenue, achieving encouraging results across various major markets.

North America market

In the North America market, benefiting from the improvement of various macroeconomic indicators, furniture retailers became more confident towards the market demand. The Group has continued to strengthen its long-term cooperative relationship with various large furniture retailers and also introduced a variety of innovative products through furniture exhibitions held regularly in the US, propelling the growth of sales as well as highlighting the Group's competitiveness.

During the Review Period, the Group participated in 8 furniture exhibitions and introduced over 80 new sofa models to customers. Sofas coated with LEATH-AIRE material were the most popular with customers. Apart from maintaining sound cooperative relationships with existing customers, during the Review Period, the Group gained more than 50 new North America customers. During the Review Period, sales in the North America Market grew by approximately 19.4% compared with the Last Corresponding Period. Of this, revenue growth in the US and Canada were approximately 19.1% and approximately 24.2% respectively.

Europe and other overseas markets

In the Europe market, with the economy of the Eurozone recovered gradually during the Review Period, customers have set higher standards for the quality and price competitiveness of furniture products. The Group has met the market demand and introduced high cost-performance products and continued to create value for customers, enabling its retail customers to achieve growth in sales. During the Review Period, the Group participated in 3 furniture exhibitions in Europe and other overseas markets and gained more than 30 new customers in these markets. During the Review Period, sales in these markets rose by approximately 29.2% compared with the Last Corresponding Period, of this the revenue growth in Europe was approximately 29.8%.

China market

In the China market, during the Review Period, the Group stepped up its investment in brand building, as well as actively expanded store networks and sales channels in third and fourth-tier cities in China. In addition, the Group further integrated its logistics system to boost logistics efficiency. Due to the above efforts and the commencement of production of the new plant in Wujiang, the Group's revenue growth rate accelerated in the China market, while profitability also improved substantially.

As at 31 March 2014, the Group had a total of 1,182 "CHEERS", "ENLANDA" and "MOREWELL" self-owned and distributors' retail stores in China including:

The Group owned 121 "CHEERS" and 43 "ENLANDA" self-owned retail stores located in 12 cities in Mainland China, including first and second tier cities such as Shenzhen, Guangzhou and Shanghai, as well as 7 "CHEERS" and "MOREWELL" retail stores in Hong Kong.

Distributors of the Group operated 745 "CHEERS" and 266 "ENLANDA" retail stores across 29 provinces in Mainland China.

PRODUCT RESEARCH AND DEVELOPMENT

During the Current FY, the Group continued to strive to become the innovative leader in the reclining sofa business. Apart from introducing new models of reclining sofas coated with LEATH-AIRE material, innovative new other materials are constantly being developed while effort is also devoted to improve the production process to enhance the level of automation, more efficient utilisation of materials and stability of product quality. During the Review Period, the Group had introduced more than 160 new sofa models. As more and more new models of non-leather sofas have been introduced, the volume sold of non-leather sofas already accounted for approximately 61.7% of those in the overseas markets and approximately 38.5% of the China market.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			**As a percentage of sales (%)**		**Gross profit margin (%)**	
	FY2014	FY2013	Change (%)	**FY2014**	FY2013	**FY2014**	FY2013
North America Market	**3,286,858**	2,752,249	19.4%	**54.9%**	56.4%	**32.5%**	32.6%
Europe and other overseas market	**946,634**	732,583	29.2%	**15.8%**	15.0%	**24.9%**	26.3%
China Market	**1,757,568**	1,392,144	26.2%	**29.3%**	28.6%	**47.0%**	48.8%
Total	**5,991,060**	4,876,976	22.8%	**100.0%**	100.0%	**35.6%**	36.3%

For the Current FY, total revenue rose by approximately 22.8% to approximately HK$5,991,060,000 (FY2013: approximately HK$4,876,976,000), whereas the overall gross profit margin decreased to approximately 35.6% from approximately 36.3% when compared to that in the Last Corresponding Period. The major reasons for the decline in gross profit margin during the Review Period include the followings: 1) in the China market, as a result of the increase in the retail stores operated by distributors, the proportion of revenue from wholesale revenue went up and the proportion of revenue from self-operated stores' retail sales decreased, which led to relatively low gross profit margin; 2) due to the appreciation in the average exchange rate of the RMB against the USD by approximately 2.6% compared with the Last Corresponding Period, the costs incurred in RMB went up accordingly.

As the decline in gross profit margin was offset by lower selling and distribution expenses, administrative expenses as a percentage of revenue, other income increase, the Group's earnings before interest, tax, depreciation and amortization as a percentage of total revenue increased to approximately 22.5% from approximately 15.9% in the Last Corresponding Period (Earnings before interest, tax, depreciation and amortization were calculated by pre-tax profit plus all depreciation, amortization and interest expense).

During FY2014, cost of goods sold rose by approximately 24.3%. During FY2014, prices of raw materials remained stable overall despite the exchange impact, but raw material cost incurred at RMB converted into the Hong Kong Dollar increased as a result of RMB appreciation during the Review Period.

During the Review Period, the Group raised selling prices of sofa products again. In the China market, the average increase in the wholesale and retail price of sofa products reached 5% in May 2013. In overseas markets, the Group increased the selling price of leather sofas gradually since July 2013, with an average increase of over 2%. The price increase did not cause negative impact on the volume growth of our products, and helped maintaining a reasonable profitability level of our products. From May 2014, the Group further increased wholesale and retail price of leather sofas by 5% in mainland China market.

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

	FY2014	FY2013	Change (%)
Sales Volume *(sets)*	**777,754**	614,258	26.6%
Average Selling Price *(HK$)*	**6,908**	7,139	-3.2%
Sales revenue from sofa products *(HK$'000)*	**5,372,875**	4,385,220	22.5%

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

In calculating sofa sets, one set equal to six seats of sofa.

During the Review Period, revenue from CHEERS brand reclining sofas rose by approximately 22.5% to approximately HK$5,372,875,000, accounting for approximately 89.7% of the Group's total revenue. The growth in revenue was mainly due to volume growth by approximately 26.6% to 777,754 sets (FY2013: 614,258 sets), average selling price fell by approximately 3.2% to approximately HK$6,908 per set (FY2013: approximately HK$7,139 per set). The average selling price in China market fell by approximately 5.9% and the price for each set of sofa fell from approximately HK$12,508 to approximately HK$11,765. The average selling price of the North America Market also fell by approximately 1.5% and the price of each set of sofa fell from approximately HK$6,758 to approximately HK$6,656. Average selling price in Europe and other overseas markets fell by approximately 7.6%, and price of each set of sofa fell from approximately HK$5,422 to approximately HK$5,011. The fall was mainly due to the Company increasing the proportion of non-leather sofa (which have a lower average unit price) out of total sofa sales to penetrate more quickly into the third and fourth tier cities in China market, and to minimize the impact to gross profit margin out of leather price fluctuation.

North America Market

During the Review Period, revenue from the North America Market reached approximately HK$3,286,858,000, up by approximately 19.4% compared with approximately HK$2,752,249,000 from the Last Corresponding Period. Of this, revenue from the US reached approximately HK$3,036,615,000, up by approximately 19.1% compared with approximately HK$2,550,195,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$249,427,000, up by approximately 24.2% compared with approximately HK$200,906,000 from the Last Corresponding Period.

Europe and other overseas market

During the Review Period, revenue from Europe and other overseas market was approximately HK$946,634,000, up by approximately 29.2% compared with approximately HK$732,583,000 from the Last Corresponding Period. Of this, revenue from Europe reached approximately HK$663,573,000, up by approximately 29.8% compared with approximately HK$511,102,000 from the Last Corresponding Period, and revenue from other overseas market reached approximately HK$283,061,000, up by approximately 27.8% compared with approximately HK$221,481,000 from the Last Corresponding Period.

China market

During the Review Period, revenue from the China market reached approximately HK$1,757,568,000, up by approximately 26.2% from approximately HK$1,392,144,000 from the Last Corresponding Period. Of this:

1. Revenue from CHEERS brand sofa self-operated retail stores reached approximately HK$570,549,000, down by approximately 2.2% compared with approximately HK$583,192,000 from the Last Corresponding Period;

   During the Review Period, the Group made some adjustments on existing stores and focused on store performance improvement. The number of self-operated stores was adjusted to 128 as of 31 March 2014 from 184 as of 31 March 2013, down by approximately 30.4%.

   During the Review Period, average annual sales per self-operated store increased by approximately 12.3% from the Last Corresponding Period (average annual sales per store is calculated as sales of all stores divided by average number of stores, average number of stores is calculated as the average of stores at the beginning of the fiscal year and the end of the fiscal year respectively).

2. Wholesale revenue from CHEERS brand sofa retail stores operated by distributors reached approximately HK$845,333,000, up by approximately 66.9% compared with approximately HK$506,621,000 from the Last Corresponding Period;

   During the Review Period, the Group enhanced the expansion pace of distributor stores in the third and fourth-tier cities. Stores operated by distributors rose to 745 as of 31 March 2014 from 443 as of 31 March 2013, representing a growth of approximately 68.2%.

   During the Review Period, the Group provided more training and support for its distributors, with the increased income of the residents in the third and fourth tier cities and better understanding of CHEERS brand reclining sofas from consumers of these areas, average annual sales per distributor store under CHEERS brand increased by approximately 8.8% from the Last Corresponding Period.

3. Retail revenue from bedding self-operated retail stores under ENLANDA brand reached approximately HK$98,862,000, down by approximately 21.6% compared with approximately HK$126,042,000 from the Last Corresponding Period;

   During the Review Period, the number of ENLANDA brand self-operated retail stores were adjusted to 43 as of 31 March 2014 from 86 as of 31 March 2013, down by approximately 50.0%. During the Review Period, average annual sales per ENLANDA self-operated retail store decreased by approximately 2.1% from the Last Corresponding Period.

4. Wholesale revenue from bedding retail stores operated by distributors under ENLANDA brand reached approximately HK$123,900,000, up by approximately 49.2% compared with approximately HK$83,019,000 from the Last Corresponding Period;

   During the Review Period, the number of stores operated by distributors went up from 189 as of 31 March 2013 to 266 as of 31 March 2014, up by approximately 40.7%, average annual sales per ENLANDA distributor store increased by approximately 15.1% from the Last Corresponding Period.

5. Revenue from the internet sales platform reached approximately HK$97,507,000 up by approximately 48.9% from approximately HK$65,464,000 in the Last Corresponding Period.

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

6. During the Review Period, revenue from high-speed rail customers reached approximately HK$21,417,000, down by approximately 23.0% from approximately HK$27,806,000 in the Last Corresponding Period.

Cost of goods sold

Cost of goods sold breakdown

	FY2014 *HK$'000*	FY2013 *HK$'000*	Change *(%)*
Cost of raw materials	**3,317,760**	2,711,316	22.4%
Labour costs	**406,709**	291,538	39.5%
Manufacturing overhead	**135,558**	102,964	31.7%
Total	**3,860,027**	3,105,818	24.3%

Major raw materials	Average unit cost year-on-year change (%)	% of total cost of sales (%)
Leather	5.4%	25.8%
Metal	-8.0%	18.7%
PVC	4.6%	1.9%
Wood	-0.3%	8.7%
Fabric	4.2%	11.2%
Chemicals	-7.2%	9.3%

During the Review Period, overall cost of major raw materials rose slightly mainly due to the increase in leather price by approximately 5.4%, as well as the appreciation of RMB against HK$ caused higher cost of material procured in RMB. During the Review Period, the average exchange rate of RMB against HK$ rose by approximately 2.6% from the Last Corresponding Period.

Other income

During FY2014, other income of the Group increased by approximately 220.9% to approximately HK$286,369,000, mainly due to the increase of government grant income and income from structured deposit and sales of industrial waste (FY2013: approximately HK$89,231,000).

	FY2014	FY2013	Change
	HK$'000	*HK$'000*	*(%)*
Income from sale of industrial waste*	**41,431**	24,827	66.9%
Government subsidies**	**128,785**	3,941	3,167.8%
Income on structured deposits***	**105,771**	48,279	119.1%
Others	**10,382**	12,184	-14.8%
Total	**286,369**	89,231	220.9%

Notes:

* Income from sale of industrial waste is revenue from the sale of non-reusable leather, cotton, wood generated in the normal production process of the Company's sofas and bedding. During the Current FY, such income accounted for approximately 0.7% of total income (sale of industrial waste accounted for approximately 0.5% of total income in the Last FY).

** Government subsidies mainly consist of subsidy on tax paid and financial subsidies from the local government of subsidiaries in China.

*** Income from structured deposits originate from the Company using unutilized funds to invest in commercial banking wealth management products of major banks in mainland China. The banks have provided guarantee for principle and gains for all products. The investment period is no longer than six months. As at 31 March 2014, the principle and gains of such investments have been fully recovered.

Other gains and losses

During FY2014, other gains and losses of the Group amounted to approximately HK$69,542,000, up by approximately 108.2% compared with approximately HK$33,396,000 of corresponding period of last year, mainly derived from the gain on foreign exchange forward contracts. In order to hedge against higher cost caused by appreciation of the RMB, the Group entered into some foreign exchange forward contracts with the position of long RMB and short USD. During the Review Period, gains from settlement and change in fair value of forward contracts was approximately HK$83,967,000 (FY2013: approximately HK$26,056,000). As at 31 March 2014, all foreign exchange forward contracts which have been entered into have expired, or have been terminated or closed position. The Group will continue monitoring the exchange rate trend between RMB and USD to formulate the appropriate strategy to hedge against exchange rate risk.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 4.1% from approximately HK$934,550,000 in FY2013 to approximately HK$972,706,000 in FY2014. Selling and distribution expenses as a percentage of revenue decreased from approximately 19.2% in FY2013 to approximately 16.2% in FY2014. The decrease was mainly due to the improvement in the Group's operational efficiencies as well as the decline in the number of self-operated retail stores in the China market resulting in the relevant expense deduction, including:

(a) overseas transportation and port fees increased by approximately 14.4% from approximately HK$411,957,000 to approximately HK$471,387,000. As the Group's export container shipping rate was lower than the corresponding period of last year, overseas transportation and port fees as a percentage of revenue decreased from approximately 8.4% to approximately 7.9%;

(b) rent, property management fees and utility decreased by approximately 16.2% from approximately HK$178,758,000 to approximately HK$149,841,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 3.7% to approximately 2.5%;

(c) advertising, promotion and brand building expenses increased by approximately 1.6% from approximately HK$77,490,000 to approximately HK$78,729,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 1.6% to approximately 1.3%;

(d) salaries, welfare and commissions of sales staff increased by approximately 11.8% from approximately HK$126,452,000 to approximately HK$141,354,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.6% to approximately 2.4%; and

(e) domestic transportation expenses decreased by approximately 24.7% from approximately HK$54,909,000 to approximately HK$41,331,000. Domestic transportation expenses as a percentage of revenue decreased from approximately 1.1% to approximately 0.7%. The decrease in expenses was mainly due to the commencement of production of the new factory in Wujiang in July 2012 which greatly reduced the transportation distance for sofa products in the northern China market, and the fact that the Company's distribution center in northern China has effectively enhanced logistics efficiency.

Administrative expenses

Administrative expenses increased by approximately 3.9% from approximately HK$325,907,000 in FY2013 to approximately HK$338,568,000 in FY2014. As a percentage of revenue, administrative expenses decreased from approximately 6.7% in FY2013 to approximately 5.7% in FY2014, including:

(a) salaries and welfare of employees increased by approximately 7.4% from approximately HK$136,859,000 to approximately HK$146,992,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.8% to approximately 2.5%;

(b) depreciation and amortization expenses increased by approximately 5.5% from approximately HK$79,534,000 to approximately HK$83,878,000. Depreciation and amortization expenses as a percentage of revenue decreased from approximately 1.6% to approximately 1.4%.

Share of results of a joint venture

During the Review Period, share of profit of a joint venture was approximately HK$8,877,000 (FY2013: approximately HK$7,374,000).

Share of results of an associate

During the Review Period, share of profit of an associate was approximately HK$12,314,000 (FY2013: loss approximately HK$1,000).

Finance costs

The finance costs increased by approximately 156.8% from approximately HK$16,807,000 in FY2013 to approximately HK$43,160,000 in FY2014, of which interest expense of bank loans increased by approximately 7.9% from approximately HK$16,807,000 in FY2013 to approximately HK$18,127,000 in FY2014. In addition, the interest expense of convertible bonds in the Current FY was approximately HK$25,033,000 (FY2013: nil). As the principal of convertible bonds has decreased from HK$850,000,000 at issuance to approximately HK$251,999,000 as at 31 March 2014, therefore the Group predicts the interest expense of convertible bonds in the next FY will fall considerably.

Income tax expense

Income tax expense increased by approximately 188.3% from approximately HK$58,050,000 in FY2013 to approximately HK$167,373,000 in FY2014. The increase in income tax expense was mainly due to the rise in profit before tax. Income tax as a percentage of profit before tax increased from approximately 9.3% in the Last FY to approximately 14.5% in the Current FY.

Profit attributable to Owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 71.9% from approximately HK$568,401,000 in FY2013 to approximately HK$976,965,000 in FY2014. The net profit margin of the Company continued to increase from approximately 11.7% in FY2013 to approximately 16.3% in FY2014. The increase in profit attributable to owners of the Company and net profit margin was mainly due to the continued revenue growth, selling and distribution expenses, administrative expenses as a percentage of revenue decreased from approximately 25.8% in FY2013 to approximately 21.9% in FY2014 as well as the increase in the gain on foreign exchange forward contracts and other income.

Dividends

The Board has proposed a final dividend of HK25.0 cents per share for the current year. During the current year, the Board has already declared and paid an interim dividend of HK25.0 cents per share. Dividends declared for the current year accounted for approximately 47.6% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2014, the Group's bank balances and cash were approximately HK$2,362,450,000.

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

Liquidity and capital resources

As at 31 March 2014, the Group's short-term bank borrowings amounted to approximately HK$537,870,000, all of which were repayable within twelve months from 31 March 2014. Most of the loans bore floating interest rates.

The Group's primary source of working capital are cash flow from operating activities and bank deposits. During the Review Period, the Group issued convertible bonds, amounted to HK$850,000,000 to support the Group's future development. As at 31 March 2014, HK$598,001,000 of convertible bonds have been converted into shares of the Company, and the balance of convertible bonds was HK$251,999,000. As at 31 March 2014, the Group's current ratio was approximately 3.1 (31 March 2013: approximately 2.2). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2014, the Group's gearing ratio was approximately 17.8% (31 March 2013: approximately 21.7%), which is defined as total borrowings (including the liability portion of convertible bond) divided by total equity attributable to owners of the Group.

Allowance for inventories

For FY2014, the Group made allowance for inventories of approximately HK$3,679,000 (FY2013: approximately HK$6,176,000).

Impairment loss on trade receivables

For FY2014, the Group provided impairment loss on trade receivables of approximately HK$1,262,000 (FY2013: approximately HK$546,000).

Pledge of assets

As at 31 March 2014, except for approximately HK$2,929,000 restricted bank balances, the Group did not have any pledged assets.

Capital commitments and contingent liabilities

Save as disclosed in note 10 to the condensed consolidated financial statements, the Group did not have any material capital commitment.

As at 31 March 2014, the Group did not have any contingent liabilities.

Foreign currency risks

The Group's exposure to currency risks is mainly attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than USD, the functional currency. In order to lock-in costs of raw materials purchased in RMB and the payment of various expenses in RMB, the Group entered into a series of forward contracts since the second half of the Last FY which sold in USD and bought in RMB. Having considered that the People's Bank of China has adjusted the fluctuation range of the mid-point of RMB exchange rate against USD upwards by 2% and the slow appreciation of RMB since March 2014, the Group has expired, or terminated or closed all the foreign exchange forward contracts already entered into before 31 March 2014. In the future, the Group will put greater effort in increasing the proportion of sales from the Mainland China market out of the Group's total revenue to achieve natural hedging against foreign exchange risk.

Significant investments and acquisitions

The Group did not have any significant investments or acquisitions or sales of subsidiaries or associated companies during FY2014. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Company.

Human Resources

As at 31 March 2014, the Group had 9,035 employees (31 March 2013: 8,575 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 its organisation structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future. During FY2014, as before, the Group arranged more than 100 management staff to attend a Mini Master of Business Administration course held at Tsinghua University.

During FY2014, the total staff cost for the Group amounted to approximately HK$709,138,000 (FY2013: approximately HK$554,799,000), of which approximately HK$38,166,000 (FY2013: approximately HK$28,574,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees on a performance and merit basis with reference to the profitability of the Group and prevailing market conditions. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme both of which enable the Group to reward employees and incentivise them to perform better.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Review Period, the Company repurchased a total of 15,322,400 ordinary shares of the Company at an aggregate purchase price of HK$161,162,854 on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
April 2013	5,528,000	7.21	6.46	39,081,240
June 2013	3,250,000	9.71	8.21	29,934,668
January 2014	6,544,400	14.60	13.42	91,716,560
Total	15,322,400			160,732,468
			Total expenses on shares repurchased	430,386
			Total	161,162,854

The 15,322,400 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 mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

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 the shareholders' value and safeguarding interest of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

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

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

Under the Code Provision A.6.7, independent non-executive Directors should attend general meetings of the Company. Mr. Lee Teck Leng, Robson, an independent non-executive Director could not attend the annual general meeting of the Company held on 15 July 2013 due to other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company's audit committee ("Audit Committee") currently consists of three independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson, Mr. Ong Chor Wei and a non-executive Director, namely, Mr. Xie Fang. 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 2014.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 3 July 2014, will be eligible to attend and vote at the annual general meeting ("AGM"). The transfer books and register of members will be closed from Friday, 27 June 2014 to Thursday, 3 July 2014, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 26 June 2014.

Shareholders whose names appear on the Company's register of members on Monday, 14 July 2014, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Thursday, 10 July 2014 to Monday, 14 July 2014 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. 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 in Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 July 2014. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on or before Friday, 25 July 2014 to Shareholders whose name appear on the register of members of the Company on Monday, 14 July 2014. The Shares will be traded ex-dividend on Tuesday, 8 July 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2014 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 FY2014. 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, 20 May 2014

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Stephen Allen Barr, Mr. Wang Guisheng, Mr. Alan Marnie and Mr. Dai Quanfa; the non-executive Director is Mr. Xie Fang, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Lee Teck Leng, Robson, Mr. Ong Chor Wei and Mr. Kan Chung Nin, Tony.