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 2016

AND

PROPOSED BONUS ISSUE OF SHARES

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 2016 ("FY2016", "Current FY", the "Review Period" or the "Reporting Period") together with the comparative figures for the previous financial year ended 31 March 2015 ("FY2015", "Last Corresponding Period" or the "Last FY").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	3	**7,327,590**	6,554,811
Cost of goods sold		**(4,431,563)**	(4,221,985)
Gross profit		**2,896,027**	2,332,826
Other income		**175,927**	320,372
Other gains and losses		**4,457**	(7,704)
Selling and distribution expenses		**(1,229,313)**	(1,012,242)
Administrative expenses		**(344,913)**	(351,976)
Share of (loss) profit of a joint venture		**(221)**	1,075
Share of loss of an associate		**–**	(1,020)
Finance costs		**(11,964)**	(22,594)
Profit before income tax		**1,490,000**	1,258,737
Income tax expense	4	**(150,182)**	(174,799)
Profit for the year	5	**1,339,818**	1,083,938
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		**(216,966)**	7,099
Items that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment		**517**	2,845
Total comprehensive income for the year		**1,123,369**	1,093,882
Profit for the year attributable to:			
Owners of the Company		**1,327,244**	1,075,159
Non-controlling interest		**12,574**	8,779
		1,339,818	1,083,938
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,111,431**	1,085,032
Non-controlling interest		**11,938**	8,850
		1,123,369	1,093,882
Earnings per share	6		
Basic (HK cents)		**68.30**	55.66
Diluted (HK cents)		**67.77**	54.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**2,033,774**	1,987,681
Investment properties		**52,156**	53,500
Lease premium for land		**318,598**	534,323
Intangible assets		**382**	626
Interest in a joint venture		**–**	221
Available-for-sale investment		**1,794**	3,748
Deferred tax assets		**1,246**	1,731
Properties under development		**304,043**	–
Refundable earnest money paid for lease premium for land		**4,045**	7,973
Deposit paid for a land lease		**38,489**	–
Deposits paid for acquisition of property, plant and equipment		**52,059**	102,907
		2,806,586	2,692,710
Current assets			
Inventories		**607,199**	781,231
Trade receivables	*8*	**590,609**	622,052
Other receivables and prepayments		**153,530**	215,404
Lease premium for land		**7,386**	12,109
Derivative financial instruments		**–**	4,067
Tax recoverable		**5,102**	1,372
Structured deposits		**26,313**	165,059
Restricted bank balances		**875**	2,698
Bank balances and cash		**1,447,508**	1,599,028
		2,838,522	3,403,020
Current liabilities			
Trade payables	*9*	**266,529**	280,647
Other payables and accruals		**374,912**	371,439
Unsecured borrowings		**250,000**	937,912
Derivative financial instruments		**–**	3,006
Tax payable		**40,034**	45,327
		931,475	1,638,331
Net current assets		**1,907,047**	1,764,689
Total assets less current liabilities		**4,713,633**	4,457,399

	2016	2015
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liabilities	**3,280**	5,068
	4,710,353	4,452,331
Capital and reserves		
Share capital	**774,745**	778,426
Reserves	**3,937,591**	3,617,324
Equity attributable to owners of the Company	**4,712,336**	4,395,750
Non-controlling interest	**(1,983)**	56,581
	4,710,353	4,452,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 Company's immediate and ultimate holding company is Man Wah Investments Limited, which is owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Company.

The Company acts as an investment holding company.

The 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

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

The application of these amendments in the current year has had no material effect on the amounts reported in the Group's consolidated financial statements and/or disclosures set out in the consolidated financial statements.

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

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after a date to be determined.
6 Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company 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 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

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.

In prior years, information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's business are focused on the location of customers. During the current year, in order to present a more meaningful representation of different types of products, consistent with how performance of different products via different distribution channel is assessed, the Group changed the structure of its internal reports reviewed by the Company's executive directors.

This led to a change in the segment report for all comparable periods. The three existing operating and reportable segments, namely North America market, Europe and other overseas markets and China market have therefore been converted into Sofa and ancillary products (wholesale), Sofa and ancillary products (retail) and Other products.

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

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, dividend income from an available-for-sale investment, net exchange gain, government subsidies, fair value gain (loss) on investment properties, finance costs, loss on disposal of subsidiaries, loss on disposal of an associate, central administrative costs and directors' emoluments, share of profit (loss) of a joint venture and share of 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 2016

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

For the year ended 31 March 2015 (restated)

	Sofa and ancillary products (wholesale) *HK$'000*	Sofa and ancillary products (retail) *HK$'000*	Other products *HK$'000*	Total *HK$'000*
REVENUE				
External sales	5,547,055	631,397	376,359	6,554,811
RESULTS				
Segment results	1,066,139	133,615	82,519	1,282,273
Interest income				2,185
Income on structured deposits				121,549
Rental income				1,420
Dividend income from an available-for-sale investment				348
Exchange gain – net				599
Government subsidies				145,005
Fair value gain on investment properties				1,295
Loss on disposal of subsidiaries				(1,165)
Loss on disposal of an associate				(1,335)
Finance costs				(22,594)
Central administrative costs and directors' emoluments				(270,898)
Share of profit of a joint venture				1,075
Share of loss of an associate				(1,020)
Profit before income tax				1,258,737

Other information:

	Sofa and ancillary products (wholesale)	Sofa and ancillary products (retail)	Other products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment result:				
For the year ended 31 March 2016				
Loss on disposal of property, plant and equipment	**1,532**	**96**	**33**	**1,661**
Depreciation and amortisation	**133,299**	**18,163**	**3,942**	**155,404**
Release of lease premium for land	**7,908**	**–**	**–**	**7,908**
Impairment loss on and written off of trade and other receivables	**5,356**	**–**	**–**	**5,356**
Allowance for (reversal of) inventories	**515**	**1,640**	**(56)**	**2,099**
For the year ended 31 March 2015 (restated)				
Loss on disposal of property, plant and equipment	1,700	105	–	1,805
Depreciation and amortisation	125,482	21,980	3,611	151,073
Release of lease premium for land	11,859	–	–	11,859
Impairment loss on and written off of trade and other receivables	1,254	48	3,976	5,278
Impairment loss on property, plant and equipment	15	–	–	15
(Reversal of) allowance for inventories	(3,429)	1,897	(52)	(1,584)

Geographical information:

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

	2016	2015
	HK$'000	*HK$'000*
U.S.	**3,761,105**	3,349,932
Canada	**223,926**	211,877
PRC (including Hong Kong)	**2,454,011**	2,066,416
Others (including Europe)	**888,548**	926,586
	7,327,590	6,554,811

Note: Others included mainly United Kingdom, Australia, Ireland, United Arab Emirates, Israel, France, Sweden and South Africa. 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 (FY2015: none).

4. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**164,333**	183,614
PRC Withholding Income Tax	**1,595**	–
U.S.	**1,394**	1,058
	167,322	184,672
(Over) underprovision in prior years:		
PRC EIT	**(15,897)**	(10,704)
U.S.	**67**	(323)
	(15,830)	(11,027)
Deferred tax	**(1,310)**	1,154
	150,182	174,799

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 general tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

During the year ended 31 March 2014, a PRC subsidiary obtained the qualification of being a high technology enterprise for a consecutive three years from year 2012 to 2014. With such qualification, the subsidiary is approved to enjoy the preferential tax rate of 15% for its profits earned from July 2012 to December 2014, resulting in an overprovision of income tax expense amounted to HK$13,899,000 and HK$8,738,000, credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and 2015, respectively. The preferential tax rate is subject to annual review by the PRC tax authority.

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

The U.S. 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

	2016 *HK$'000*	2015 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**19,196**	32,074
Other staff costs		
Salaries and other allowances, including share option expenses	**856,711**	723,972
Retirement benefit scheme contributions, excluding those of directors	**55,104**	48,842
Total staff costs	**931,011**	804,888
Auditor's remuneration (including non-audit services)	**3,620**	3,266
Release of lease premium for land	**7,908**	11,859
Amortisation of intangible assets (recognised in selling and distribution expenses)	**222**	228
Depreciation	**155,182**	150,845
Cost of inventories recognised as an expense	**4,400,095**	4,204,008
Research and development expenditure	**29,369**	19,561
Allowance for (reversal of) inventories (recognised in cost of goods sold)	**2,099**	(1,584)
Recognised in other income include:		
Interest income	**(2,773)**	(2,185)
Income on structured deposits *(Note i)*	**(61,886)**	(121,549)
Dividend income from an available-for-sale investment	**–**	(348)
Rental income from investment properties	**(2,025)**	(1,420)
Government subsidies recognised in other income *(Note ii)*	**(56,861)**	(145,005)

Notes:

(i) During the year, the Group invested into structured deposits with certain banks in the PRC by using unutilised funds for investment returns. Majority of the structured deposits are with maturities less than 6 months.

(ii) The government subsidies recognised in other income of HK$56,861,000 (FY2015: HK$62,396,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses, and research and development cost incurred in the year.

The remaining of HK$82,609,000 for the year ended 31 March 2015 was released from the government subsidies receipt in advance in prior years, representing the subsidy on sales, marketing and corporate activities incurred by the Group in the year.

6. EARNINGS PER SHARE

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

Earnings

	2016	2015
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,327,244**	1,075,159
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	**–**	6,931
	1,327,244	1,082,090

Number of shares

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**1,943,189**	1,931,690
Effect of dilutive potential ordinary shares		
– Share options	**15,241**	18,718
– Convertible bonds	**–**	33,307
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**1,958,430**	1,983,715

During the year ended 31 March 2015, the Company had issued bonus shares on the basis of one bonus share for every one existing share held by the shareholders on 7 January 2015. Accordingly, the weighted average number of shares for the purpose of basic and diluted earnings per share have been adjusted.

In addition, the weighted average number of shares for the years ended 31 March 2016 and 2015 have been arrived at after eliminating the treasury shares held by the Company.

7. DIVIDENDS

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

	2016	2015
	HK$'000	*HK$'000*
Final dividend for 2015 of HK$0.13 (2015: HK$0.25 for 2014) per share	**252,572**	237,663
Interim dividend for 2016 of HK$0.16 (2015: HK$0.25 for 2015) per share	**311,084**	245,796
Special dividend for 2015 of HK$0.75 per share	**–**	737,389
	563,656	1,220,848

A final dividend of HK$0.19 per share in respect of the year ended 31 March 2016, amounting to approximately HK$365,300,000 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

	2016	2015
	HK$'000	*HK$'000*
Trade and bills receivables	**590,609**	622,052

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**387,013**	306,524
31 – 60 days	**108,275**	215,956
61 – 90 days	**74,548**	73,807
Over 90 days	**20,773**	25,765
	590,609	622,052

9. TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade and bills payables	**266,529**	280,647

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**260,648**	263,902
31 – 60 days	**5,624**	15,936
61 – 90 days	**199**	424
Over 90 days	**58**	385
	266,529	280,647

10. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**39,375**	44,970
– construction of production plant	**94,645**	146,887
– construction of properties under development for sale	**340,739**	–
– acquisition of lease premium for land	**22,644**	–
	497,403	191,857
Capital expenditure authorised but not provided for in the consolidated financial statements in respect of acquisition of lease premium for land	**15,148**	75,925

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During FY2016, benefited from its continual efforts in product innovation, productivity improvement and channel expansion, the Group continued to maintain a steady revenue growth trend.

China market

During the Review Period, China market was confronted with numerous challenges such as slowdown in economic growth, RMB depreciation, real estate de-stocking in third and fourth tier cities, etc. The Group has overcome lots of difficulties during the Review Period. Satisfactory sales growth has been maintained by strengthening the marketing promotion efforts, launching more products that accommodated to the demands of different market segments, expanding the sales network continuously, enhancing the performance of existing stores, etc.

As China's economy exposed to many challenges in 2015, the government has taken a series of policies and measures to stablise the growth and adjust the structure. According to the data released by the National Bureau of Statistics of China, GDP, total retail sales of consumer goods and urban resident per capita disposable income recorded year-on-year growth of 6.9%, 10.6% and 6.6% in 2015, respectively. Although the growth rate of these economic indicators decreased compared with that in 2014, it was still in steady growth range with a further improvement in the resident consumption capacity. The total retail sales of the furniture category grew by 16.1% year-on-year in 2015, higher than 13.9% in 2014. It showed that even overall economy grew at a slower rate, there was still much room to grow in the furniture market. Per newly released market survey report published by Euromonitor International Limited ("Euromonitor International")[1] in May 2016, the Group maintained the leadership position in China reclining sofa market while market share rose from 29.2% in 2014 to 29.5% in 2015.

North America market

According to the report of the US Department of Commerce, the US real GDP grew by 2.4% year-on-year in 2015. According to the data of the US Department of Commerce, total new houses constructed for private owners in the US per annum in March 2016 were approximately 1,089,000 units, up by 14.2% from March 2015. The report of the US Bureau of Labour Statistics pointed out that US unemployment rate remained a low level of about 5% in March 2016, which provided strong support for the furniture consumer market. According to the market survey report published by Euromonitor International[1] in May 2016, the Group was continuously ranked as one of top three reclining sofa players in US while market share rose from 10.2% in 2014 to 10.9% in 2015. In the

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 announcement.

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market survey conducted by Furniture Today (a leading US furniture magazine) published in May 2016, the Group was ranked number 6 out of top ten suppliers of US furniture market in calender year 2015 (ranked number 6 in calender year 2014). The Group maintained the advantages of cost, capacity and products innovation in the North America market, and will seize the favourable market opportunities to achieve the sustainable growth in revenue.

Europe and other overseas markets

In European market, the performance of European countries was mixed in 2015. The European economy's growth was subject to more uncertainty due to terrorist attack, refugee problem and so on. The exchange rate of the Euro against the US dollar was still at a low level. According to the Eurostat, GDP of the European Union grew by only 1.5% year-on-year and grew by 0.3% quarter-on-quarter in the fourth quarter of 2015, showing that the growth was still sluggish.

BUSINESS REVIEW

During FY2016, the Group was committed to increasing its competitiveness in products, services and operational efficiency. In spite of facing a series of uncertain factors, the Group has still achieved impressive operating performance. During the Review Period, the Group's revenue and net profit have once again reached a record high.

1 Wholesale business of sofas and ancillary products

The Group sold sofa products mainly focuses on reclining sofas to retailers and distributors in the North America market and in Europe and other overseas markets, while wholesaled sofas and ancillary products to sofa distributors in the China market. During the Review Period, total revenue of this business was approximately HK$6,177,652,000, up by approximately 11.4% compared with approximately HK$5,547,055,000 from the Last Corresponding Period.

1.1 North America market

In the North America market, the Group improved the ratio of high-price products by fully seizing the relatively favorable market opportunity. Moreover, the Group continued taking product innovation as the main driving force for increasing the market share.

During the Review Period, the Group participated in four furniture exhibitions and introduced over 200 new sofa models to customers via the exhibitions. During the Review Period, the Group gained 12 new customers in the North America market. During the Review Period, revenue in the North America market grew by approximately 12.9% compared with the Last Corresponding Period.

1.2 Europe and other overseas markets

In Europe, sales of the Group suffered certain pressure due to the relatively lower euro-dollar exchange rate and the overall sluggish economic growth during the Review Period. Under the adverse market situations, the Group has duly adjusted its product mix and increased the sales ratio of non-leather sofas, particularly the ratio of some innovative products, making the gross profit margin in the markets increasing significantly and counteracting the adverse influence of sales reduction on profit. During the Review Period, sales of sofas in Europe and other overseas markets decreased by approximately 13.0%, where sales in the UK decreased by approximately 18.2%.

1.3 China market

In the China market, the Group sells sofa products to distributors at a wholesale price, and these distributors operate the "CHEERS" brand sofa stores, which is the important sales channel for sofa products of the Group in China. During the Review Period, the increase in numbers of "CHEERS" brand sofa stores opened by the distributors was 232. As at 31 March 2016, the Group had a total of 1,234 retail stores operated by distributors in China. During the Review Period, wholesales of sofas and ancillary products by distributors in the China market grew by approximately 26.4% compared with the Last Corresponding Period.

2 Retail business of sofas and ancillary products

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

During the Review Period, the Group continued to benefit from the consumption upgrade trend of furniture products in the first and second tier cities, and further improved the sales performance of existing stores. During the Review Period, the number of the Group's self-operated "CHEERS" and "MOREWELL" brand sofa stores was adjusted from 118 at the beginning of the fiscal year to 100. During the Review Period, the decrease in the number of stores was mainly because the Group converted some of the self-operated retail stores in some second tier cities to stores operated by the distributors. During the Review Period, revenue of the Group's sofa retail business increased by approximately 11.7%.

3 Business of other products

In addition to the focus on production and sales of sofas, the Group also produced and sold bedding products, chairs and other products to high-speed railways, chain cinemas and other business customers. Moreover, the Group also produced and sold some furniture parts and other products such as metal mechanism for recliners. The Group sold its bedding products mainly by setting up retail stores in Mainland China. In March 2016, the Group started to operate bedding products stores in Mainland China with "CHEERS Five-star Mattress" brand to replace the former "ENLANDA" brand. As at 31 March 2016, the Group had a total of 286 bedding brand stores operated by distributors (31 March 2015: 289) and another 25 self-operated bedding brand stores (31 March 2015: 32).

During the Review Period, revenue from other products of the Group increased by approximately 18.1% compared with the Last Corresponding Period.

PRODUCT RESEARCH AND DEVELOPMENT

During the Review Period, the Group launched more new products onto the market. In the overseas markets, the Group continued to consider the innovation in sofa materials, structure and appearance as the major driver for its revenue growth. In the China market, the Group introduced more products that accommodate to different target customers for different market segments, and vigorously supported the business expansion via different channels. The Group introduced more than 300 new sofa and bedding products models during the Review Period. During the Review Period, the volume sold of non-leather sofas and leather sofas accounted for approximately 65.8% and 34.2% of the total sales volume of sofas in the overseas markets respectively and approximately 41.3% and 58.7% in the China market respectively.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2016	FY2015	Change (%)	**FY2016**	FY2015	**FY2016**	FY2015
Wholesale business of sofas and ancillary products	**6,177,652**	5,547,055	11.4%	**84.3%**	84.6%	**37.6%**	33.0%
Retail business of sofas and ancillary products	**705,393**	631,397	11.7%	**9.6%**	9.6%	**59.6%**	58.1%
Other products	**444,545**	376,359	18.1%	**6.1%**	5.8%	**34.3%**	35.9%
Total	**7,327,590**	6,554,811	11.8%	**100.0%**	100.0%	**39.5%**	35.6%

During FY2016, total revenue rose by approximately 11.8% to approximately HK$7,327,590,000 (FY2015: approximately HK$6,554,811,000). The overall gross profit margin increased from approximately 35.6% to approximately 39.5% year-on-year. The main reason for the margin expansion was the price fall of main raw materials since the second quarter of the Current FY.

During FY2016, the cost of goods sold rose by approximately 5.0%.

During the Review Period, the price of comparable products maintained relatively stable. During the Review Period, the Group produced approximately 937,000 sets of sofa products in total (FY2015: approximately 857,000 sets), representing an increase by approximately 9.3% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Wholesale business of sofas and ancillary products

During the Review Period, revenue from wholesale business of sofas and ancillary products was approximately HK$6,177,652,000, representing an increase of approximately 11.4% as compared with approximately HK$5,547,055,000 recorded in the Last Corresponding Period.

1.1 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,995,146,000, up by approximately 12.9% compared with approximately HK$3,537,268,000 from the Last Corresponding Period. Of this, revenue from the US reached approximately HK$3,761,105,000, up by approximately 13.1% compared with approximately HK$3,324,742,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$223,926,000, up by approximately 5.7% compared with approximately HK$211,867,000 from the Last Corresponding Period.

1.2 Europe and other overseas markets

During the Review Period, revenue from Europe and other overseas markets was approximately HK$789,466,000, down by approximately 13.0% compared with approximately HK$907,777,000 from the Last Corresponding Period. Of this, revenue from Europe reached approximately HK$470,425,000, down by approximately 20.6% compared with approximately HK$592,149,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$319,041,000, up by approximately 1.1% compared with approximately HK$315,628,000 from the Last Corresponding Period.

1.3 China market

During the Review Period, revenue from the China market reached approximately HK$1,393,040,000, up by approximately 26.4% from approximately HK$1,102,010,000 in the Last Corresponding Period.

During the Review Period, the Group continued to expand its store network in China market according to its established store opening plan. Stores operated by distributors rose to 1,234 as of 31 March 2016 from 1,002 as of 31 March 2015, representing a growth of approximately 23.2%.

During the Review Period, the average sales per distributor store under CHEERS brand decreased by approximately 1.2% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and the average number of stores is calculated as the arithmetic mean of stores at the beginning of the Review Period and those at the end of the Review Period respectively).

2 Retail business of sofas and ancillary products

2.1 Revenue from CHEERS brand sofa self-operated retail stores reached approximately HK$577,287,000, up by approximately 4.7% compared with approximately HK$551,259,000 in the Last Corresponding Period.

During the Review Period, the number of self-operated stores was adjusted to 100 as of 31 March 2016 from 118 as of 31 March 2015, down by approximately 15.3%.

During the Review Period, average sales per self-operated store increased by approximately 18.2% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and the average number of stores is calculated as the arithmetic mean of stores at the beginning of the Review Period and those at the end of the Review Period respectively).

2.2 Revenue from the internet and television platform reached approximately HK$128,106,000, up by approximately 59.9% from approximately HK$80,138,000 in the Last Corresponding Period.

3 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$444,545,000, representing an increase of approximately 18.1% as compared with approximately HK$376,359,000 in the Last Corresponding Period.

3.1 Retail revenue from bedding self-operated retail stores reached approximately HK$51,116,000, down by approximately 25.6% compared with approximately HK$68,665,000 in the Last Corresponding Period.

During the Review Period, the number of bedding self-operated retail stores was adjusted to 25 as of 31 March 2016 from 32 as of 31 March 2015, down by approximately 21.9%. During the Review Period, average sales per bedding self-operated retail store decreased by approximately 2.0% from the Last Corresponding Period.

3.2 Wholesale revenue from bedding retail stores operated by distributors reached approximately HK$117,367,000, down by approximately 13.4% compared with approximately HK$135,558,000 in the Last Corresponding Period.

During the Review Period, the number of bedding stores operated by distributors down from 289 as of 31 March 2015 to 286 as of 31 March 2016, down by approximately 1.0%; and the average sales per bedding stores operated by distributors decreased by approximately 16.4% from the Last Corresponding Period.

3.3 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$48,993,000, up by approximately 7.1% from approximately HK$45,743,000 in the Last Corresponding Period.

3.4 Revenue from furniture components reached approximately HK$227,069,000, up by approximately 79.7% from approximately HK$126,393,000 in the Last Corresponding Period. Most of the revenue was primarily from special metal frame for reclining sofas and related ancillary products of the Group which were sold to business customers.

Cost of goods sold

Cost of goods sold breakdown

	FY2016	FY2015	Change
	HK$'000	*HK$'000*	*(%)*
Cost of raw materials	**3,694,711**	3,576,015	3.3%
Labour costs	**555,874**	475,883	16.8%
Manufacturing overhead	**180,978**	170,087	6.4%
Total	**4,431,563**	4,221,985	5.0%

Major raw materials	**Average unit cost year-on-year change (%)**	**% of total cost of sales (%)**
Leather	-11.9%	25.4%
Metal	-8.2%	14.7%
PVC	-13.5%	1.6%
Wood	-4.3%	9.0%
Fabric	-7.3%	11.3%
Chemicals	-21.1%	8.0%

Benefiting from the Group's centralized purchasing strategy and the decrease in the price of production materials in the Mainland China market during the Review Period, the price of major raw materials decreased significantly during the Review Period. The selling price of the comparable products in the major market maintained stable, resulting in a significant improvement of gross profit margin during the Review Period.

Other income

During FY2016, other income of the Group decreased by approximately 45.1% to approximately HK$175,927,000 (FY2015: approximately HK$320,372,000). The decrease was mainly due to the significant decrease in government subsidies income. Meanwhile, decrease in the benchmark interest rate of deposits in the Mainland China and the funds for structured deposits resulted in a significant decrease in income on structured deposits.

	FY2016	FY2015	Change
	HK$'000	*HK$'000*	*(%)*
Income from sale of industrial waste*	**37,296**	42,680	-12.6%
Government subsidies**	**56,861**	145,005	-60.8%
Income on structured deposits***	**61,886**	121,549	-49.1%
Others	**19,884**	11,138	78.5%
Total	**175,927**	320,372	-45.1%

Notes:

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

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

*** Income from structured deposits originated from the Company using unutilized funds to invest in commercial banking wealth management products of major banks in mainland China. The banks have provided guarantee for principle and returns for all products.

Other gains and losses

During FY2016, other gains and losses of the Group amounted to gains of approximately HK$4,457,000 (the Last Corresponding Period: losses of approximately HK$7,704,000). The increase in other gains and losses was mainly due to the increase in exchange gain.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 21.4% from approximately HK$1,012,242,000 in FY2015 to approximately HK$1,229,313,000 in FY2016. Selling and distribution expenses as a percentage of revenue increased from approximately 15.4% in FY2015 to approximately 16.8% in FY2016. The increase was mainly due to the strengthened brand promotion of the Group in association with the increase in number of stores in Mainland China during the Review Period, including:

(a) Overseas transportation and port fees increased by approximately 6.2% from approximately HK$487,411,000 to approximately HK$517,760,000. Overseas transportation and port fees as a percentage of revenue decreased from approximately 7.4% in last year to approximately 7.1%;

(b) Rent, property management fees and utility decreased by approximately 4.4% from approximately HK$136,604,000 to approximately HK$130,619,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 2.1% to approximately 1.8%;

(c) Advertising, promotion and brand building expenses increased by approximately 112.4% from approximately HK$72,909,000 to approximately HK$154,889,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 1.1% to approximately 2.1%;

(d) Salaries, welfare and commissions of sales staff increased by approximately 35.2% from approximately HK$148,706,000 to approximately HK$201,117,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.3% to approximately 2.7%; and

(e) Domestic transportation expenses increased by approximately 35.3% from approximately HK$35,035,000 to approximately HK$47,414,000. Domestic transportation expenses as a percentage of revenue increased from approximately 0.5% to approximately 0.6%.

Administrative expenses

Administrative expenses decreased by approximately 2.0% from approximately HK$351,976,000 in FY2015 to approximately HK$344,913,000 in FY2016. As a percentage of revenue, administrative expenses decreased from approximately 5.4% in FY2015 to approximately 4.7% in FY2016, including:

(a) Salaries and welfare of employees decreased by approximately 1.2% from approximately HK$153,710,000 to approximately HK$151,886,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.3% to approximately 2.1%; and

(b) Depreciation and amortization expenses decreased by approximately 12.3% from approximately HK$83,295,000 to approximately HK$73,039,000. Depreciation and amortization expenses as a percentage of revenue decreased from approximately 1.3% to approximately 1.0%.

Share of results of a joint venture

During the Review Period, share of loss of a joint venture was approximately HK$221,000 (FY2015: profit of approximately HK$1,075,000).

Share of results of an associate

During the Review Period, no profit or loss was shared from an associate (FY2015: loss of approximately HK$1,020,000). As at 31 March 2015 and 31 March 2016, there was not any associate.

Finance costs

The finance costs decreased by approximately 47.0% from approximately HK$22,594,000 in FY2015 to approximately HK$11,964,000 in FY2016, of which interest expense of bank loans decreased by approximately 23.6% from approximately HK$15,663,000 in FY2015 to approximately HK$11,964,000 in FY2016.

Income tax expense

Income tax expense decreased by approximately 14.1% from approximately HK$174,799,000 in FY2015 to approximately HK$150,182,000 in FY2016. The decrease in income tax expense was mainly due to the effects of the decreased tax rate upon certain companies in the Mainland China obtaining the qualification of being a high technology enterprise.

Profit attributable to Owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 23.4% from approximately HK$1,075,159,000 in FY2015 to approximately HK$1,327,244,000 in FY2016. The net profit margin of the Group continued to increase from approximately 16.4% in FY2015 to approximately 18.1% in FY2016. The increase in profit attributable to owners of the Company and net profit margin was mainly due to the continued revenue growth, and the fact that gross profit margin increased from approximately 35.6% in FY2015 to approximately 39.5% in FY2016.

Dividends

The Board has proposed a final dividend of HK19 cents per share for the current year. During the current year, the Board has already declared and paid an interim dividend of HK16 cents per share. Total dividends declared for FY2016 accounted for approximately 51.0% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2016, the Group's bank balances and cash were approximately HK$1,447,508,000.

The Group has been committed to maintain the sound financial policy. The Group continues to improve its operational efficiency in order to reduce turnover days of the working capital. During the Review Period, turnover of the working capital was good. Benefiting from the steady and healthy development of the Company's business, we can effectively manage our cash flow and capital commitments. The Group also ensures that we have sufficient funds to meet our existing and future cash requirements while providing the sustainable and stable dividend return to shareholders. 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 2016, the Group's short-term borrowings amounted to approximately HK$250,000,000, all of which were repayable within twelve months from 31 March 2016. All of the borrowings bore floating interest rates.

The Group's primary source of working capital are cash flow from operating activities and bank deposits. As at 31 March 2016, the Group's current ratio was approximately 3.0 (31 March 2015: approximately 2.1). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2016, the Group's gearing ratio was approximately 5.3% (31 March 2015: approximately 21.3%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

Allowance for inventories

For FY2016, the Group made impairment allowance for inventories of approximately HK$2,099,000 (FY2015: reversal of impairment allowance for inventories of approximately HK$1,584,000).

Impairment loss on and written off of trade and other receivables

For FY2016, the Group provided impairment loss on and written off of trade and other receivables of approximately HK$5,356,000 (FY2015: approximately HK$5,278,000).

Pledge of assets

As at 31 March 2016, except for approximately HK$875,000 restricted bank balances, the Group did not have any pledged assets.

Capital commitments and contingent liabilities

Save as disclosed in note 10, the Group did not have any material capital commitment.

As at 31 March 2016, 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. At present, most of the Group's sales in overseas markets are settled in USD, which efficiently avoided the exchange rate fluctuation risk than settled in other currencies. The Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. The Group's costs are mainly settled in USD, RMB and HKD. The Group conducts its sales in the overseas markets and the Mainland China, and also procures raw materials from both the Mainland China market and overseas markets, which is favorable to achieve natural hedging against foreign exchange risk.

Significant investments and acquisitions

During the Review Period, the Group invested approximately HK$44,413,000 to increase the equity ratio of its subsidiary Remaco Machinery Technology (Wujiang) Co., Ltd. ("Remaco") from 55% to 100% by means of share transfer. Subsequently, out of a total capital injection to Remaco amounted to approximately HK$89,702,000 the Group invested approximately HK$71,762,000 to further increase the share capital of Remaco after 31 March 2016 and as a result, the Group owns 90% of Remaco. Remaco is a company responsible for R&D and production of metal mechanism for recliners mainly for the Group. Increasing the shareholding ratio and registered capital of Remaco will help accelerate the development of Remaco and further strengthen the Group's vertical integration in the reclining sofa industry.

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

Human Resources

As at 31 March 2016, the Group had 10,985 employees (31 March 2015: 12,121 employees).

The Group firmly believes that staff is the most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases, and has developed a comprehensive staff training and development, performance evaluation and incentive system. Meanwhile, the Group also devoted to enhancing the production and operating efficiency. By increasing the standardization and automation level of the production process and improving the operation management process, the Group reduced the number of employees while maintaining the steady revenue growth momentum during the Review Period.

During FY2016, the total staff cost for the Group amounted to approximately HK$931,011,000 (FY2015: approximately HK$804,888,000), of which approximately HK$19,196,000 (FY2015: approximately HK$32,074,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees based on their performance. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

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

During the Review Period and until the date of this announcement, the Company repurchased a total of 34,437,600 ordinary shares of the Company at an aggregate purchase price of HK$317,632,304 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest *(HK$)*	Lowest *(HK$)*	Aggregate purchase price *(HK$)*
February 2016	9,200,400	9.29	8.72	83,461,008
March 2016	23,237,200	9.79	8.84	214,361,140
April 2016	2,000,000	9.93	9.87	19,810,156
Total	34,437,600			317,632,304

19,145,200 ordinary shares out of the 34,437,600 repurchased ordinary shares were cancelled before 31 March 2016. 8,543,200 ordinary shares and 6,749,200 ordinary shares were cancelled on 5 April 2016 and 13 April 2016 respectively. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on Tuesday, 7 July 2015, with a view to benefiting shareholders as a whole in enhancing the return on net assets and earnings per share of the Company.

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

CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding the interest of shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize effective internal control and accountability to all shareholders.

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

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Wong Man Li, who acts as the Chairman and Managing Director of the Company, is also responsible for overseeing the general operations of the Group. The Board 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 and non-executive directors should attend general meetings of the Company. Mr. Lee Teck Leng, Robson, an independent non-executive director and Mr. Xie Fang, a non-executive director could not attend the annual general meeting of the Company held on 7 July 2015 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 and its code of conduct regarding directors' securities transactions. Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

AUDIT COMMITTEE

The Company's audit committee (the "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 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 2016.

EVENTS AFTER THE REPORTING PERIOD

Proposed bonus issue of shares

On 25 May 2016, the Board proposes, subject to the Shareholders' approval, a bonus issue of shares on the basis of one bonus share for every one existing share held by the Shareholders. Further details of this bonus issue, including the relevant details of the resolutions to be passed by Shareholders and the record date for such entitlements, will be disclosed in a further announcement and a circular to be published by the Company.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 13 July 2016, will be eligible to attend and vote at the AGM. The transfer books and register of members will be closed from Friday, 8 July 2016 to Wednesday, 13 July 2016, 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 forthcoming annual general meeting of the Company, 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, 7 July 2016.

Shareholders whose names appear on the Company's register of members on Friday, 22 July 2016, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Wednesday, 20 July 2016 to Friday, 22 July 2016 (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 Tuesday, 19 July 2016. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting of the Company) is to be payable on Thursday, 4 August 2016 to shareholders whose name appear on the register of members of the Company on Friday, 22 July 2016. The Shares will be traded ex-dividend on Monday, 18 July 2016.

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 2016 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 FY2016. 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, 25 May 2016

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Wang Guisheng, Mr. Alan Marnie, Mr. Dai Quanfa and Ms. Wong Ying Ying; 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.