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 2017

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 2017 ("FY2017", "Current FY", the "Review Period" or the "Reporting Period") together with the comparative figures for the previous financial year ended 31 March 2016 ("FY2016", "Last Corresponding Period" or the "Last FY").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**7,779,015**	7,327,590
Cost of goods sold		**(4,520,832)**	(4,431,563)
Gross profit		**3,258,183**	2,896,027
Other income		**159,752**	175,927
Other gains and losses		**184,001**	4,457
Selling and distribution expenses		**(1,173,878)**	(1,229,313)
Administrative expenses		**(365,441)**	(344,913)
Share of loss of a joint venture		**–**	(221)
Finance costs		**(10,271)**	(11,964)
Profit before income tax		**2,052,346**	1,490,000
Income tax expense	*4*	**(293,222)**	(150,182)
Profit for the year	*5*	**1,759,124**	1,339,818
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		**(305,526)**	(216,966)
Items that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment		**21,786**	517
Total comprehensive income for the year		**1,475,384**	1,123,369
Profit for the year attributable to:			
Owners of the Company		**1,752,370**	1,327,244
Non-controlling interest		**6,754**	12,574
		1,759,124	1,339,818
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,467,215**	1,111,431
Non-controlling interest		**8,169**	11,938
		1,475,384	1,123,369

		2017 **HK cents**	2016 HK cents (restated)
Earnings per share			
Basic	*6*	**45.64**	34.15
Diluted		**45.47**	33.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,267,824**	2,033,774
Investment properties		**170,781**	52,156
Lease premium for land		**451,219**	318,598
Goodwill		**137,573**	–
Other intangible assets		**169,004**	382
Interest in a joint venture		**–**	–
Available-for-sale investment		**–**	1,794
Deferred tax assets		**2,589**	1,246
Properties under development		**384,481**	304,043
Refundable earnest money paid for lease premium for land		**3,815**	4,045
Deposit paid for a land lease		**11,280**	38,489
Deposits paid for acquisition of property, plant and equipment		**79,612**	52,059
		3,678,178	2,806,586
Current assets			
Inventories		**749,253**	607,199
Trade receivables	*8*	**639,674**	590,609
Other receivables and prepayments		**235,129**	153,530
Lease premium for land		**9,648**	7,386
Held for trading investments		**367,862**	–
Tax recoverable		**1,744**	5,102
Structured deposits		**–**	26,313
Restricted bank balances		**9,364**	875
Bank balances and cash		**1,808,298**	1,447,508
		3,820,972	2,838,522
Current liabilities			
Trade payables	*9*	**427,780**	266,529
Other payables and accruals		**485,312**	374,912
Variable-rate bank borrowings		**1,047,636**	250,000
Tax payable		**64,636**	40,034
		2,025,364	931,475
Net current assets		**1,795,608**	1,907,047
Total assets less current liabilities		**5,473,786**	4,713,633

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Variable-rate borrowings	**27,294**	–
Deferred tax liabilities	**42,830**	3,280
Other non-current liabilities	**7,337**	–
	77,461	3,280
	5,396,325	4,710,353
Capital and reserves		
Share capital	**1,530,256**	774,745
Reserves	**3,508,286**	3,937,591
Equity attributable to owners of the Company	**5,038,542**	4,712,336
Non-controlling interest	**357,783**	(1,983)
	5,396,325	4,710,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. GENERAL

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

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRSs	Annual Improvements to IFRS 2012 – 2014 Cycle

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

(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 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company anticipate that the application of the above new and revised IFRSs will have no material impact on the results and the financial position of the Group.

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.

The Group acquired Home Group Ltd. during the year, for which, the financial information is separately reported to the Company's executive directors, being the chief operating decision maker of the Group. This business combination led to a change in the segment report for the comparable period. There are now four operating and reportable segments as follows:

Sofa and ancillary products (wholesale)	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd. and its subsidiaries ("Home Group")
Sofa and ancillary products (retail)	–	manufacture and sale of sofas and ancillary products through self-operated shops including online shops other than those by Home Group
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group
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, net exchange gain, fair value gain (loss) on investment properties, government subsidies, finance costs, central administrative costs and directors' emoluments and share of loss of a joint venture. 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 2017

	Sofa and ancillary products (wholesale) *HK$'000*	**Sofa and ancillary products (retail)** *HK$'000*	**Home Group business** *HK$'000*	**Other products** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales	**6,170,509**	**811,216**	**202,488**	**594,802**	**7,779,015**
RESULTS					
Segment results	**1,748,269**	**236,941**	**3,371**	**119,888**	**2,108,469**
Interest income					**19,078**
Income on structured deposits					**7,602**
Rental income					**4,250**
Exchange gain – net					**171,056**
Government subsidies					**70,615**
Fair value gain on investment properties					**2,054**
Finance costs					**(7,856)**
Central administrative costs and directors' emoluments					**(322,922)**
Profit before income tax					**2,052,346**

For the year ended 31 March 2016

	Sofa and ancillary products (wholesale) *HK$'000*	Sofa and ancillary products (retail) *HK$'000*	Home Group business *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

Other information:

	Sofa and ancillary products (wholesale) *HK$'000*	Sofa and ancillary products (retail) *HK$'000*	Home Group business *HK$'000*	Other products *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment result:					
For the year ended 31 March 2017					
Loss (gain) on disposal of property, plant and equipment	**274**	**(112)**	**7**	**38**	**207**
Depreciation and amortisation	**133,455**	**12,366**	**6,709**	**5,718**	**158,248**
Release of lease premium for land	**9,567**	**–**	**–**	**–**	**9,567**
Reversal of allowance for inventories	**(496)**	**(1,712)**	**(549)**	**(24)**	**(2,781)**
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 write-off of trade and other receivables	5,356	–	–	–	5,356
Allowance for (reversal of) inventories	515	1,640	–	(56)	2,099

Geographical information:

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

	2017 *HK$'000*	2016 *HK$'000*
U.S.	**3,228,168**	3,761,105
Canada	**237,010**	223,926
PRC (including Hong Kong)	**3,362,407**	2,454,011
Others (including Europe)	**951,430**	888,548
	7,779,015	7,327,590

Note: Others included mainly United Kingdom, Australia, Ireland, United Arab Emirates, Israel, France, Sweden and Indonesia. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2017	2016
	HK$'000	*HK$'000*
PRC (including Hong Kong and Macau)	**3,125,119**	2,800,498
Europe	**546,466**	643
Others	**4,004**	4,199
	3,675,589	2,805,340

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2016: none).

4. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**263,690**	164,333
PRC Withholding Income Tax	**17,447**	1,595
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,660**	1,394
Others	**310**	–
	283,107	167,322
Under (over) provision in prior years:		
PRC EIT	**8,143**	(15,897)
U.S. CIT	**–**	67
	8,143	(15,830)
Deferred tax	**1,972**	(1,310)
	293,222	150,182

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. However, the assessable profit for the current year has been wholly absorbed by the tax losses brought forward.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the 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% (subject to annual review by PRC tax authority) for its profits earned from July 2012 to December 2014, resulting in an overprovision of income tax expense amounted to HK$13,899,000, credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

During the year ended 31 March 2015, 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. CIT charge comprises federal income tax calculated at 34% and state income tax calculated from 0% to 8.84% (2016: 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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**16,937**	19,196
Other staff costs		
Salaries and other allowances, including share option expenses	**1,015,791**	856,711
Retirement benefit scheme contributions, excluding those of directors	**43,657**	55,104
Total staff costs	**1,076,385**	931,011
Auditor's remuneration (including non-audit services)	**4,180**	3,620
Release of lease premium for land	**9,567**	7,908
Amortisation of intangible assets (recognised in selling and distribution expenses)	**4,549**	222
Depreciation of properties, plant and equipment	**153,699**	155,182
Cost of inventories recognised as an expense	**4,497,502**	4,400,095
Research and development expenditure	**26,111**	29,369
(Reversal of) allowance for inventories (recognised in cost of goods sold)	**(2,781)**	2,099
Recognised in other income include:		
Interest income (including interest income from held for trading investments)	**(19,082)**	(2,773)
Income on structured deposits *(Note i)*	**(7,602)**	(61,886)
Dividend income from an available-for-sale investment	**(254)**	–
Rental income from investment properties	**(4,365)**	(2,025)
Government subsidies recognised in other income *(Note ii)*	**(70,615)**	(56,861)

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$70,615,000 (2016: HK$56,861,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses, and research and development cost incurred in the year.

6. EARNINGS PER SHARE

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

Earnings

	2017	2016
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,752,370**	1,327,244

Number of shares

	2017	2016
	'000	*'000*
		(restated)
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**3,839,666**	3,886,378
Effect of dilutive potential ordinary shares – Share options	**14,323**	30,482
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**3,853,989**	3,916,860

During the year ended 31 March 2017, the Company had issued bonus shares on the basis of one bonus share for every one existing share held by the shareholders on 4 August 2016. 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 2017 and 2016 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:

	2017	2016
	HK$'000	*HK$'000*
Final dividend for 2016 of HK$0.19 (2016: HK$0.13 for 2015) per share	**366,009**	252,572
Interim dividend for 2017 of HK$0.14 (2016: HK$0.16 for 2016) per share	**533,101**	311,084
	899,110	563,656

A final dividend of HK$0.14 per share in respect of the year ended 31 March 2017, amounting to approximately HK$536,536,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on Friday, 21 July 2017, 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

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**639,674**	590,609

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**413,801**	387,013
31 – 60 days	**152,034**	108,275
61 – 90 days	**51,597**	74,548
Over 90 days	**22,242**	20,773
	639,674	590,609

9. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills payables	**427,780**	266,529

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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**401,601**	260,648
31 – 60 days	**14,298**	5,624
61 – 90 days	**5,286**	199
Over 90 days	**6,595**	58
	427,780	266,529

10. CAPITAL COMMITMENTS

	2017	2016
	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	**48,844**	39,375
– construction of production plant	**204,263**	94,645
– construction of properties under development for sale	**256,997**	340,739
– acquisition of lease premium for land	**–**	22,644
	510,104	497,403

MARKET REVIEW

During the financial year of 2017, the Group has benefited from a diversified market distribution and adjusted its sales strategy and product structure in a timely manner when faced with short-term challenges in overseas markets, which effectively overcome the adverse external impact and continued to maintain a steady growth in revenue.

China market

During the Review Period, the China market is still facing some challenges, but the overall economic situation has gradually improved. According to the data released by the National Bureau of Statistics of China, GDP, total retail sales of consumer goods and urban resident per capita disposable income recorded year-on-year growth of 6.7%, 10.4% and 6.3% in 2016, respectively. The total retail sales of the furniture category grew by 12.7% year-on-year in 2016. With the continuous increase in resident income, the Group will benefit from the strong demand for high quality brand furniture products arising from consumption upgrading. Per newly released market survey report published by Euromonitor International Limited ("Euromonitor International")[1] in May 2017, the Group maintained the leadership position in China reclining sofa market while market share rose from 29.5% in 2015 to 37.7% in 2016.

North America market

The US macroeconomic data was mixed in 2016. According to the report of the US Department of Commerce, the US real GDP grew by 1.6% year-on-year in 2016 with a slower growth rate than that of 2015. According to data published by the US Department of Commerce, total new houses constructed for private owners in the US per annum in 2016 decreased by approximately 0.5% from 2015. At the same time, new home sales increased by approximately 11.2% from 2015. According to the market survey report published by Euromonitor International[1] in May 2017, the Group was continuously ranked as one of top three reclining sofa players in US while the share of the US reclining sofa market was 9.6% in calendar year 2016 (10.9% in calendar year 2015). In the market survey conducted by Furniture Today (a leading US furniture magazine) published in May 2017, the Group was ranked number 7 out of top ten suppliers of US furniture market in calendar year 2016. The Group maintained the advantages in cost control, capacity and products innovation in the North America market, and will seize the favourable market opportunities to achieve sustainable revenue growth.

[1] Disclaimer from Euromonitor International

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

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Europe and other overseas markets

In European market, there were still a lot of challenges. 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, the real GDP in the Eurozone was only 1.9% year-on-year in 2016, still at a low level.

BUSINESS REVIEW

During the financial year of 2017, the Group continued to enhance its core competitiveness by improving its internal operational efficiency. Facing declined revenue in overseas market by vigorously developing the Chinese market, the Group still maintained a positive revenue growth. During the Review Period, the Group's profit reached a new high.

1 Wholesale business of sofas and ancillary products

The Group's sofa products mainly focus on reclining sofas to retailers and distributors in the North America market and in Europe and other overseas markets, and wholesaled sofas and ancillary products to sofa distributors in the China market. During the Review Period, total revenue of this business was approximately HK$6,170,509,000, down by approximately 0.1% compared with approximately HK$6,177,652,000 from the Last Corresponding Period.

1.1 North America market

In the North American market, as many furniture retailers were faced with destocking pressure at the beginning of the year, and some exporters in China reduced sales prices when there was slowdown in the material costs, the Group's sales suffered a certain pressure.

The Group remarkably relieved the downside sales pressure by adjusting the product mix timely, strengthening the sales team, introducing the rapid delivery plan and lowering the selling price of products in the second half of the financial year.

During the Review Period, the Group participated in four furniture exhibitions and introduced a number of new sofa models to customers in the exhibitions. During the Review Period, revenue in the North America market decreased by approximately 13.1% compared with the Last Corresponding Period, whereas sales in the US decreased by approximately 14.2% and sales in Canada increased by approximately 5.8%.

1.2 Europe and other overseas markets

In Europe, the Group still recorded declined revenue during the Review Period due to a series of reasons, such as the weak economic growth in the Europe and the Brexit. During the Review Period, sales of sofas in Europe and other overseas markets decreased by approximately 19.4%, including sales in the Europe decreased by approximately 22.5%.

1.3 China market

In the China market, the Group sells sofa and ancillary products to distributors at a wholesale price, and these distributors operate the "CHEERS" brand sofa stores. During the Review Period, the number of "CHEERS" brand sofa stores opened by the distributors increased by 270. As at 31 March 2017, the Group had a total of 1,504 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 48.1% 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 strengthen the management of existing stores and established a more effective incentive mechanism through systematically building operation standards involve ten aspects ("Ten Modules"), and effectively 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 100 at the beginning of the fiscal year to 99. The decrease in the number of self-operated stores was mainly because the Group converted some of the self-operated stores to stores operated by distributors. During the Review Period, revenue of the Group's sofa retail business increased by approximately 15.0%.

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 2017, the Group had a total of 340 bedding brand stores operated by distributors (31 March 2016: 286) and another 23 self-operated bedding brand stores (31 March 2016: 25).

During the Review Period, revenue from other products of the Group increased by approximately 33.8% compared with the Last Corresponding Period.

4 The Business of Home Group

During the Review Period, the Group has invested in the Home Group, and has started to account for the Home Group as a subsidiary of the Group and consolidated the accounts of it since 31 December 2016.

During the three months ended 31 March 2017, the Home Group has achieved a total revenue of approximately HK$202,488,000. It has five sofa manufacturing factories in Poland, the Baltic States and Ukraine respectively, which are mainly engaged in the design and production of stationary sofas and sofa beds, and sells their products to many European furniture retailers. Benefited from its high cost-effective products and high quality service, many existing retailer clients increased their orders from the Home Group. As a result it recorded about 19.9% growth as compared with the three months ended 31 March 2016. The Home Group is currently expanding the factory in Ukraine to meet the growing demand of the business.

PRODUCT RESEARCH AND DEVELOPMENT

During the Review Period, the Group timely adjusted the direction of product research and development based on the changes in the market, launched a series of new sofas and bedding products with innovative functions. At the same time, the Group continued to strengthen the development of core components of recliners to further improve the proportion of self-produced parts, so as to effectively reduce the cost and improve the flexibility of product innovation. The Group introduced more than 280 new sofa and bedding products models during the Review Period.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2017	FY2016	Change (%)	**FY2017**	FY2016	**FY2017**	FY2016
Wholesale business of sofas and ancillary products	**6,170,509**	6,177,652	-0.1%	**79.4%**	84.3%	**40.5%**	37.6%
Retail business of sofas and ancillary products	**811,216**	705,393	15.0%	**10.4%**	9.6%	**62.2%**	59.6%
Other products	**594,802**	444,545	33.8%	**7.6%**	6.1%	**33.8%**	34.3%
Home Group business	**202,488**	–	n/a	**2.6%**	n/a	**27.4%**	n/a
Total	**7,779,015**	7,327,590	6.2%	**100.0%**	100.0%	**41.9%**	39.5%

During FY2017, total revenue rose by approximately 6.2% to approximately HK$7,779,015,000 (FY2016: approximately HK$7,327,590,000). The overall gross profit margin increased from approximately 39.5% to approximately 41.9% year-on-year. The main reason for the margin expansion was the price fall of main raw materials, the cost reduction resulting from the depreciation of RMB, and the fact that the Group has continued to improve the efficiency of internal operations.

During FY2017, the cost of goods sold rose by approximately 2.0%.

During the Review Period, excluding Home Group business, the Group produced approximately 960,000 sets of sofa products in China factories (FY2016: approximately 937,000 sets), representing an increase of approximately 2.5% (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$6,170,509,000, representing a decrease of approximately 0.1% as compared with approximately HK$6,177,652,000 recorded in the Last Corresponding Period.

1.1 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,471,181,000, down by approximately 13.1% compared with approximately HK$3,995,146,000 from the Last Corresponding Period. Of this, revenue from the US reached approximately HK$3,228,168,000, down by approximately 14.2% compared with approximately HK$3,761,105,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$237,010,000, increased by approximately 5.8% compared with approximately HK$223,926,000 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$636,692,000, down by approximately 19.4% compared with approximately HK$789,466,000 from the Last Corresponding Period. Of this, revenue from Europe reached approximately HK$364,724,000, down by approximately 22.5% compared with approximately HK$470,425,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$271,968,000, down by approximately 14.8% compared with approximately HK$319,041,000 from the Last Corresponding Period.

1.3 China market

During the Review Period, revenue from the China market reached approximately HK$2,062,636,000, up by approximately 48.1% from approximately HK$1,393,040,000 in the Last Corresponding Period.

During the Review Period, the Group continued to expand its store network in China market. Stores operated by distributors rose to 1,504 as of 31 March 2017 from 1,234 as of 31 March 2016, representing a growth of approximately 21.9%.

During the Review Period, the average sales per distributor store under CHEERS brand increased by approximately 20.9% 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$561,536,000, down by approximately 2.7% compared with approximately HK$577,287,000 in the Last Corresponding Period.

During the Review Period, the number of self-operated stores was adjusted to 99 as of 31 March 2017 from 100 as of 31 March 2016, down by approximately 1.0%.

During the Review Period, average sales per self-operated store increased by approximately 6.6% 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$249,680,000, up by approximately 94.9% from approximately HK$128,106,000 in the Last Corresponding Period.

3 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$594,802,000, representing an increase of approximately 33.8% as compared with approximately HK$444,545,000 in the Last Corresponding Period.

3.1 Retail revenue from bedding self-operated retail stores reached approximately HK$53,035,000, up by approximately 3.8% compared with approximately HK$51,116,000 in the Last Corresponding Period.

During the Review Period, the number of bedding self-operated retail stores was adjusted to 23 as of 31 March 2017 from 25 as of 31 March 2016, down by approximately 8.0%. During the Review Period, average sales per bedding self-operated retail store increased by approximately 23.2% from the Last Corresponding Period.

3.2 Wholesale revenue from bedding retail stores operated by distributors reached approximately HK$197,779,000, up by approximately 68.5% compared with approximately HK$117,367,000 in the Last Corresponding Period.

During the Review Period, the number of bedding stores operated by distributors was increased from 286 as of 31 March 2016 to 340 as of 31 March 2017, up by approximately 18.9%; and the average sales per bedding stores operated by distributors increased by approximately 54.8% from the Last Corresponding Period.

3.3 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$50,871,000, up by approximately 3.8% from approximately HK$48,993,000 in the Last Corresponding Period.

3.4 Revenue from furniture components reached approximately HK$293,117,000 (including approximately HK$186,870,000 from China market, approximately HK$27,582,000 from North America market, approximately HK$78,665,000 from Europe and other overseas market), up by approximately 29.1% from approximately HK$227,069,000 (including approximately HK$138,102,000 from China market, approximately HK$55,499,000 from North America market, approximately HK$33,468,000 from Europe and other overseas market) in the Last Corresponding Period. Most of the revenue was primarily from metal frame for reclining sofas and related ancillary products of the Group which were sold to business customers.

4 The Business of Home Group

During the period under review, the Group has invested in the Home Group, and consolidated the accounts of it into the consolidated financial statements of the Company since 31 December 2016.

During the three months ended 31 March 2017, the Home Group has achieved a total revenue of approximately HK$202,488,000. As it was the first time to consolidate the accounts of the Home Group to the consolidated financial statements of the Company in this fiscal year, the revenue of the Home Group for the three months ended 31 March 2016 was not included in the revenue of the comparable period. According to the management account of the Home Group, the revenue of the three months ended 31 March 2017 grew by approximately 19.9%, as compared to that of the previous year.

Cost of goods sold

Cost of goods sold breakdown

	FY2017	FY2016	Change
	HK$'000	*HK$'000*	*(%)*
Cost of raw materials	**3,639,586**	3,694,711	-1.5%
Labour costs	**701,986**	555,874	26.3%
Manufacturing overhead	**179,260**	180,978	-0.9%
Total	**4,520,832**	4,431,563	2.0%

Major raw materials in PRC factory	**Average unit cost year-on-year change (%)**	% of total cost of sales (%)
Leather	**-9.0%**	22.7%
Metal	**14.4%**	17.7%
PVC	**-14.2%**	1.3%
Wood	**-4.3%**	9.1%
Fabric	**-6.9%**	11.9%
Chemicals	**12.8%**	9.2%

Other income

During FY2017, other income of the Group decreased by approximately 9.2% to approximately HK$159,752,000 (FY2016: approximately HK$175,927,000). The decrease was mainly due to the fall in the income on structured deposits.

	FY2017	FY2016	Change
	HK$'000	*HK$'000*	*(%)*
Income from sale of industrial waste*	**40,817**	37,296	9.4%
Government subsidies**	**70,615**	56,861	24.2%
Income on structured deposits***	**7,602**	61,886	-87.7%
Interest income	**19,082**	2,773	588.1%
Others	**21,636**	17,111	26.4%
Total	**159,752**	175,927	-9.2%

Notes:

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

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

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

Other gains and losses

During FY2017, other gains and losses of the Group amounted to gains of approximately HK$184,001,000 (the Last Corresponding Period: approximately HK$4,457,000). During the Review Period, other gains and losses of the Group amounted to approximately HK$170,536,000 (the Last Corresponding Period: approximately HK$14,974,000), mainly due to the foreign exchange gains.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 4.5% from approximately HK$1,229,313,000 in FY2016 to approximately HK$1,173,878,000 in FY2017. Selling and distribution expenses as a percentage of revenue decreased from approximately 16.8% in FY2016 to approximately 15.1% in FY2017, including:

(a) Overseas transportation and port fees decreased by approximately 16.1% from approximately HK$517,760,000 to approximately HK$434,174,000. Overseas transportation and port fees as a percentage of revenue decreased from approximately 7.1% in last year to approximately 5.6%;

(b) Rent, property management fees and utility decreased by approximately 13.3% from approximately HK$130,619,000 to approximately HK$113,246,000. Rent, property management fees and utility as a percentage of revenue decreased from approximately 1.8% to approximately 1.5%;

(c) Advertising, promotion and brand building expenses decreased by approximately 16.8% from approximately HK$154,889,000 to approximately HK$128,863,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 2.1% to approximately 1.7%;

(d) Salaries, welfare and commissions of sales staff increased by approximately 9.3% from approximately HK$201,117,000 to approximately HK$219,893,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.7% to approximately 2.8%; and

(e) Domestic transportation expenses increased by approximately 56.6% from approximately HK$47,414,000 to approximately HK$74,243,000. Domestic transportation expenses as a percentage of revenue increased from approximately 0.6% to approximately 1.0%.

Administrative expenses

Administrative expenses increased by approximately 6.0% from approximately HK$344,913,000 in FY2016 to approximately HK$365,441,000 in FY2017. As a percentage of revenue, administrative expenses were approximately 4.7% (FY2016: approximately 4.7%), including:

(a) Salaries and welfare of employees increased by approximately 1.6% from approximately HK$151,886,000 to approximately HK$154,252,000. Salaries and welfare of employees as a percentage of revenue decreased from approximately 2.1% to approximately 2.0%; and

(b) Depreciation and amortization expenses decreased by approximately 6.1% from approximately HK$73,039,000 to approximately HK$68,559,000. Depreciation and amortization expenses as a percentage of revenue decreased from approximately 1.0% to approximately 0.9%.

Share of results of a joint venture

During the Review Period, no profit or loss was shared from a joint venture (FY2016: loss of approximately HK$221,000).

Finance costs

The finance costs decreased by approximately 14.2% from approximately HK$11,964,000 in FY2016 to approximately HK$10,271,000 in FY2017, of which interest expense of bank loans decreased by approximately 24.3% from approximately HK$11,964,000 in FY2016 to approximately HK$9,054,000 in FY2017.

Income tax expense

Income tax expense increased by approximately 95.2% from approximately HK$150,182,000 in FY2016 to approximately HK$293,222,000 in FY2017. The proportion of income tax expense to profit before tax increased from approximately 10.1% in FY2016 to approximately 14.3% in FY2017.

Profit attributable to Owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 32.0% from approximately HK$1,327,244,000 in FY2016 to approximately HK$1,752,370,000 in FY2017. The net profit margin of the Group continued to increase from approximately 18.1% in FY2016 to approximately 22.5% in FY2017. 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 39.5% in FY2016 to approximately 41.9% in FY2017.

Dividends

The Board has proposed a final dividend of HK14 cents per share for the FY2017. During the FY2017, the Board has already declared and paid an interim dividend of HK14 cents per share. Total dividends declared for FY2017 accounted for approximately 61.0% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2017, the Group's bank balances and cash were approximately HK$1,808,298,000.

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, it can effectively manage its cash flow and capital commitments. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing the sustainable and stable dividend return to shareholders. The Group has not experienced and does not expect to experience any difficulties in meeting its obligations when they are due.

Liquidity and capital resources

As at 31 March 2017, the Group's short-term borrowings amounted to approximately HK$1,047,636,000, all of which were repayable within twelve months from 31 March 2017. All of the borrowings bore floating interest rates.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2017, the Group's current ratio was approximately 1.9 (31 March 2016: approximately 3.0). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2017, the Group's gearing ratio was approximately 21.3% (31 March 2016: approximately 5.3%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

Allowance for inventories

For FY2017, the Group reversed impairment allowance for inventories of approximately HK$2,781,000 (FY2016: provided impairment allowance of approximately HK$2,099,000).

Impairment loss on and written off of trade and other receivables

For FY2017, the Group did not record any impairment loss on trade and other receivables (FY2016: approximately HK$5,356,000).

Pledge of assets

As at 31 March 2017, there was approximately HK$9,364,000 restricted bank balances. As of 31 March 2017, some subsidiaries of the Group pledged certain assets for financing, including property, plant and equipment with book value approximately HK$103,204,000, inventories with book value approximately HK$8,598,000.

Capital commitments and contingent liabilities

Save as disclosed in note 10, the Group did not have any material capital commitment as at 31 March 2017.

As at 31 March 2017, 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 the functional currency of respective Group entities. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD, which efficiently avoided the exchange rate fluctuation risk of settlement in other currencies. The Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB and HKD. The revenue of Home Group's current business in Europe was settled mainly in Euro, while the cost was settled mainly in Euro, UAH and PLN. 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

Investment in Home Group

On 20 November 2016, Man Wah Group Limited ("MW Group"), a wholly-owned subsidiary of the Company, entered into a shareholders' agreement (the "Agreement") with Home Group International Ltd. ("HG International") and Home Group Ltd.. In accordance with the Agreement, HG International shall cause 75% of the equity interest of the majority of entities of Home Group's operating companies in Poland, the Baltic States and Ukraine transferred to a subsidiary of Home Group Ltd.. MW Group will subscribe for a 50% shareholding interest in Home Group Ltd.. Upon the transfer of aforesaid equity interest, MW Group will pay an initial payment of Euro 14 million in cash to Home Group Ltd., with another three instalments of cash consideration and adjusted amounts being payable, up to an aggregate of Euro 50,692,890. Meanwhile, MW Group will also directly purchase from HG International an additional 2.5% equity interest in certain of the subsidiaries of Home Group Ltd. for an aggregate cash consideration of US$1.35 million.

During the Review Period, the Group injected an initial amount of Euro 14 million in cash to Home Group Ltd. in the form of capital injection in accordance with the Agreement to subscribe for the 50% shareholding interest in Home Group Ltd. and the cash consideration of US$1.35 million to subscribe for 2.5% direct equity interest in certain of the subsidiaries of Home Group Ltd.. The Group started to consolidate the accounts of the Home Group into the consolidated financial report of the Group since 31 December 2016.

Further information on the Group's investment in the Home Group was set out in the announcements of the Company dated 20 November 2016 and 25 January 2017 respectively.

Development of a Piece of Land in Wu Jiang

Reference is made to the announcement of the Company dated 26 October 2011 relating to the acquisition of land in Wujiang. According to the said announcement, the Group has acquired a piece of land in Wujiang, PRC through an indirect wholly-owned subsidiary of the Company, for RMB217,246,470.

The original development plan of the land included developing a commercial complex, including furniture shopping mall, office building, apartments and residential premises. The commercial complex is developed mainly for sale.

After careful study on the local market, the development plan of the land was adjusted as follows:

- for constructing a Cheers furniture products flagship store;
- for developing a high end hotel and an international recognized hotel management company will be invited to manage the hotel; and
- for developing residential premises, mainly for sale.

As at 31 March 2017, the Group has completed most of the construction works. Based on current plan, the flagship store will be opened in June 2017. The hotel may come into operation in 2018. The residential premises will be ready for pre-sale in second half of 2017 and delivery to buyers in the second half of 2018. The above timetable is subject to change due to uncertainties in relation to market conditions and government approval etc.

As of 31 March 2017, the Group has invested a total of approximately HK$521,752,000 in the development of the land (including acquisition of the land).

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 2017, the Group had 10,495 employees (31 March 2016: 10,985 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 FY2017, the total staff cost for the Group amounted to approximately HK$1,076,385,000 (FY2016: approximately HK$931,011,000), of which approximately HK$16,937,000 (FY2016: approximately HK$19,196,000) 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 FY2017, the Company repurchased a total of 60,327,000 ordinary shares of the Company at an aggregate purchase price of HK$340,865,000 (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 *('000)*	Price per ordinary share Highest *(HK$)*	Lowest *(HK$)*	Aggregate purchase price *(HK$'000)*
April 2016	2,000	9.93	9.87	19,810
November 2016	46,604	5.92	5.26	263,986
February 2017	11,723	4.90	4.74	57,069
Total	60,327			340,865

During FY2017, the Company completed a bonus issue of 1,926,362,000 shares for each Share then outstanding, thus approximately doubling the number of issued Shares to 3,852,999,200 Shares, immediately after the bonus issue.

The repurchased ordinary shares were cancelled during the Review Period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on Wednesday, 13 July 2016, with a view to benefiting shareholders as a whole in enhancing the return on net assets and earnings per share of the Company.

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

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Review Period, save for the deviation from code 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 meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and consistent leadership enabling the Group to operate efficiently.

Under the Code Provision A.6.7, independent non-executive directors and non-executive director should attend general meetings of the Company. Mr. Kan Chung Nin, Tony, an independent non-executive director and Mr. Xie Fang, a non-executive Director (resigned on 14 July 2016) could not attend the annual general meeting of the Company held on 13 July 2016 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. Ong Chor Wei and Mr. Ding Yuan. 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 2017.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 12 July 2017, will be eligible to attend and vote at the annual general meeting of the Company to be held on Wednesday, 12 July 2017 (the "AGM"). The transfer books and register of members will be closed from Friday, 7 July 2017 to Wednesday, 12 July 2017, 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, 6 July 2017. Notice of the AGM will be despatched to the shareholders of the Company in due course.

Shareholders whose names appear on the Company's register of members on Friday, 21 July 2017, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Wednesday, 19 July 2017 to Friday, 21 July 2017 (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, 18 July 2017. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on Wednesday, 2 August 2017 to Shareholders whose name appear on the register of members of the Company on Friday, 21 July 2017. The Shares will be traded ex-dividend on Monday, 17 July 2017.

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 2017 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 FY2017. 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, 24 May 2017

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; and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Ong Chor Wei and Mr. Kan Chung Nin, Tony and Mr. Ding Yuan.