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 2019 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 2019 ("FY2019", "Current FY", the "Review Period" or the "Reporting Period") together with the comparative figures for the previous financial year ended 31 March 2018 ("FY2018", "Last Corresponding Period" or the "Last FY").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Revenue	*3*	**11,257,792**	10,026,573
Cost of goods sold		**(7,420,694)**	(6,283,633)
Gross profit		**3,837,098**	3,742,940
Other income		**421,424**	364,630
Other gains and losses		**(102,596)**	(26,168)
Selling and distribution expenses		**(1,806,183)**	(1,693,223)
Administrative and other expenses		**(550,242)**	(442,052)
Finance costs	*5*	**(79,345)**	(23,542)
Share of results of joint ventures		**(4,129)**	–
Profit before income tax		**1,716,027**	1,922,585
Income tax expense	*4*	**(311,351)**	(368,639)
Profit for the year	*5*	**1,404,676**	1,553,946
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(446,909)**	522,536
Items that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment and land lease premium transferred to investment properties, net of deferred tax		**8,373**	3,578
Total comprehensive income for the year		**966,140**	2,080,060
Profit for the year attributable to:			
Owners of the Company		**1,363,801**	1,535,908
Non-controlling interest		**40,875**	18,038
		1,404,676	1,553,946

	NOTE	**2019** *HK$'000*	2018 *HK$'000*
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**966,559**	1,999,700
Non-controlling interest		**(419)**	80,360
		966,140	2,080,060

	NOTE	**2019** *HK cents*	2018 *HK cents*
Earnings per share			
Basic	*6*	**35.62**	40.22
Diluted		**35.60**	40.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**3,798,748**	3,167,900
Investment properties		**485,110**	210,853
Lease premium for land		**2,429,180**	787,109
Goodwill		**525,904**	393,502
Other intangible assets		**222,033**	245,540
Interests in joint ventures		**30,859**	–
Deferred tax assets		**3,708**	3,590
Deposit paid for a land lease		**3,944**	4,225
Deposits paid for acquisition of property, plant and equipment		**70,986**	101,079
		7,570,472	4,913,798
Current assets			
Inventories		**1,413,563**	1,067,133
Properties under development		**433,471**	383,415
Trade and bills receivables	*8*	**1,309,685**	956,097
Other receivables and prepayments		**554,817**	397,030
Lease premium for land		**53,171**	18,326
Financial assets at fair value through profit or loss		**220,650**	–
Held for trading investments		**–**	311,754
Tax recoverable		**12,519**	7,924
Restricted bank balances		**139,100**	8,303
Bank balances and cash		**1,438,339**	1,406,959
		5,575,315	4,556,941

	NOTE	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and bills payables	*9*	**663,432**	753,902
Other payables and accruals		**455,651**	748,446
Receipt in advance from sales of properties under development		**–**	50,011
Contract liabilities		**567,740**	–
Bank borrowings – current portion		**2,892,699**	1,316,799
Tax payable		**58,379**	72,892
		4,637,901	2,942,050
Net current assets		**937,414**	1,614,891
Total assets less current liabilities		**8,507,886**	6,528,689
Non-current liabilities			
Bank borrowings – non-current portion		**1,660,070**	23,909
Deferred tax liabilities		**130,086**	56,158
Other non-current liabilities		**1,667**	4,138
		1,791,823	84,205
		6,716,063	6,444,484
Capital and reserves			
Share capital		**1,529,249**	1,531,511
Reserves		**4,693,988**	4,431,706
Equity attributable to owners of the Company		**6,223,237**	5,963,217
Non-controlling interests		**492,826**	481,267
		6,716,063	6,444,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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, the 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 *IFRS 15 Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from manufacture and distribution of sofas and ancillary products, chairs and others products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in consolidated financial statements of the Company.

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under IFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables and accruals	748,446	(197,962)	550,484
Receipt in advance from sales of properties under development	50,011	(50,011)	–
Contract liabilities	–	247,973	247,973

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported *HK$'000*	Adjustment *HK$'000*	Amounts without application of IFRS 15 *HK$'000*
Current liabilities			
Other payables and accruals	455,651	148,825	604,476
Receipt in advance from sales of properties under development	–	418,915	418,915
Contract liabilities	567,740	(567,740)	–

Impact on the consolidated statement of cash flows

	As reported *HK$'000*	Adjustment *HK$'000*	Amounts without application of IFRS 15 *HK$'000*
Operating activities			
Decrease in other payables and accruals	(94,833)	(49,137)	(143,970)
Increase in receipt in advance from sales of properties under development	–	368,904	368,904
Increase in contract liabilities	319,767	(319,767)	–

2.2 *HKFRS 9 Financial Instruments*

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in the consolidated financial statements of the Company.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 April 2018.

	Held for trading investments	Financial assets at fair value through profit or loss ("FVTPL") required by IFRS 9
	HK$'000	*HK$'000*
Closing balance at 31 March 2018 – IAS 39	311,754	–
Effect arising from initial application of IFRS 9:		
Reclassification	(311,754)	311,754
Opening balance at 1 April 2018	–	311,754

The Group has reassessed its investments in equity securities classified as held for trading under IAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$311,754,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

Impairment under ECL model

IFRS 9 replaces the "incurred loss" model in IAS 39 with an ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under the "incurred loss" model in IAS 39.

The application of IFRS 9 has had no significant impact on impairment under ECL model for financial assets of the Group.

2.3 Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 (Audited) *HK$'000*	**IFRS 15** *HK$'000*	**IFRS 9** *HK$'000*	**1 April 2018 (Restated)** *HK$'000*
Current Assets				
Held-for-trading investments	311,754	–	(311,754)	–
Financial assets at FVTPL	–	–	311,754	311,754
Current Liabilities				
Other payables and accruals	748,446	(197,962)	–	550,484
Receipt in advance from sales of properties under development	50,011	(50,011)	–	–
Contract liabilities	–	247,973	–	247,973

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

3. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's performance regarding different products and different markets, are as follows:

Sofa and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners etc.
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

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

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade 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 loss, fair value gain on investment properties, loss from change in fair value of financial assets at FVTPL/held for trading investments, share of results of joint ventures, government subsidies, finance costs, central administrative costs and directors' emoluments. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

Segment revenues and results

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

For the year ended 31 March 2019

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Home Group business *HK$'000*	Total *HK$'000*
REVENUE				
External sales	**8,615,513**	**1,818,551**	**823,728**	**11,257,792**
RESULTS				
Segment results	**1,776,254**	**361,120**	**17,010**	**2,154,384**
Interest income				**53,177**
Income on structured deposits				**10,238**
Rental income				**10,683**
Share of results of joint ventures				**(4,129)**
Exchange loss – net				**(6,854)**
Government subsidies				**171,812**
Fair value gain on investment properties				**23**
Loss from change in fair value of financial assets at FVTPL				**(91,104)**
Finance cost				**(74,382)**
Central administrative costs and directors' emoluments				**(507,821)**
Profit before income tax				**1,716,027**

For the year ended 31 March 2018

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Home Group business *HK$'000*	Total *HK$'000*
REVENUE				
External sales	8,075,623	1,079,994	870,956	10,026,573
RESULTS				
Segment results	1,873,033	236,408	15,933	2,125,374
Interest income				31,311
Income on structured deposits				19,741
Rental income				6,200
Exchange loss – net				(21,527)
Government subsidies				216,211
Fair value gain on investment properties				4,456
Loss from change in fair value of held for trading investments				(8,747)
Finance costs				(16,992)
Central administrative costs and directors' emoluments				(433,442)
Profit before income tax				1,922,585

Other information

	Sofa and ancillary products HK$'000	Other products HK$'000	Home Group business HK$'000	Total HK$'000
Amounts included in the measure of segment result:				
For the year ended 31 March 2019				
Loss (gain) on disposal of property, plant and equipment	**1,675**	**196**	**(82)**	**1,788**
Depreciation and amortisation	**176,085**	**45,377**	**35,526**	**256,988**
Release of lease premium for land	**30,482**	**–**	**–**	**30,482**
(Reversal of) allowance for trade receivables	**(84)**	**–**	**822**	**738**
(Reversal of) allowance for inventories	**(1,802)**	**–**	**544**	**(1,258)**

	Sofa and ancillary products HK$'000	Other products HK$'000	Home Group business HK$'000	Total HK$'000
For the year ended 31 March 2018				
Loss (gain) on disposal of property, plant and equipment	2,144	162	(183)	2,123
Depreciation and amortisation	157,767	8,142	34,503	200,412
Release of lease premium for land	14,106	–	–	14,106
Allowance for trade receivables	14	–	621	635
(Reversal of) allowance for inventories	(938)	438	(1,012)	(1,512)

Geographical information

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

	2019	2018
	HK$'000	*HK$'000*
PRC (including Hong Kong)	**5,488,621**	4,831,080
North America	**4,148,312**	3,590,250
Europe	**1,210,992**	1,212,876
Others	**409,867**	392,367
	11,257,792	10,026,573

Note: Others included mainly Australia, United Arab Emirates, Israel and Indonesia. Home Group business is included in Europe. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

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

	2019	2018
	HK$'000	*HK$'000*
PRC (including Hong Kong and Macau)	**6,119,002**	4,348,397
Europe	**601,885**	557,666
Vietnam	**841,259**	–
Others	**4,618**	4,145
	7,566,764	4,910,208

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2018: none).

4. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**269,123**	284,536
PRC Withholding Income Tax	**37,920**	70,328
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,186**	1,776
Others	**1,585**	1,408
	309,814	358,048
(Over)underprovision in prior years:		
PRC EIT	**(2,059)**	4,647
U.S. CIT	**305**	225
Others	**(204)**	–
	(1,958)	4,872
Deferred tax	**3,495**	5,719
	311,351	368,639

The assessable profit under Hong Kong Profits Tax 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 tax rate of the PRC subsidiaries is 25% for both years, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, obtaining the approval to enjoy the preferential tax rate of 15%.

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

The U.S. CIT charge comprises federal income tax calculated at 21% (2018: 34%) and state income tax calculated from 0% to 9.00% (2018: 0% to 9.00%) 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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**15,994**	16,305
Other staff costs		
Salaries and other allowances, including share option expenses	**1,559,914**	1,349,530
Retirement benefit scheme contributions, excluding those of directors	**51,507**	48,382
Total staff costs	**1,627,415**	1,414,217
Release of lease premium for land	**30,482**	14,106
Amortisation of intangible assets (recognised in selling and distribution expenses)	**31,786**	24,584
Depreciation of property, plant and equipment	**225,202**	175,828
Cost of inventories recognised as an expense	**7,344,418**	6,250,109
Research and development expenditure (included in administration and other expenses)	**77,534**	35,036
Finance costs *(Note i)*	**79,345**	23,542
And crediting:		
Recognised in other income:		
Interest income (including interest income from FVTPL/ held for trading investments)	**53,204**	31,338
Income on structured deposits	**10,238**	19,741
Rental income from investment properties less outgoings	**10,656**	6,169
Government subsidies recognised in other income *(Note ii)*	**171,812**	216,211

Notes:

(i) The finance costs mainly represents interest on bank borrowing.

(ii) The government subsidies recognised in other income of HK$171,812,000 (2018: HK$216,211,000) 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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,363,801**	1,535,908

Number of shares

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**3,828,759**	3,819,109
Effect of dilutive potential ordinary shares		
– Share options	**1,977**	16,587
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**3,830,736**	3,835,696

7. DIVIDENDS

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

	2019 *HK$'000*	2018 *HK$'000*
Final dividend for 2018 of HK$0.12 (2018: HK$0.14 for 2017) per share	**459,993**	533,318
Interim dividend for 2019 of HK$0.06 (2018: HK$0.13 for 2018) per share	**229,385**	495,522
	689,378	1,028,840

A final dividend of HK$0.06 per share in respect of the year ended 31 March 2019, amounting to approximately HK$229,398,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on 15 July 2019, 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

	2019 *HK$'000*	2018 *HK$'000*
Trade and bills receivables	**1,309,685**	956,097

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

	2019 *HK$'000*	2018 *HK$'000*
0–90 days	**1,174,553**	904,546
91–180 days	**96,513**	38,492
Over 180 days	**38,619**	13,059
	1,309,685	956,097

9. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bills payables	**663,432**	753,902

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**661,348**	751,698
91 – 180 days	**1,618**	1,214
Over 180 days	**466**	990
	663,432	753,902

10. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**108,462**	61,146
– construction of production plant	**289,101**	77,992
	397,563	139,138
Other commitments of		
– construction of property under development for sale	**123,457**	132,106
– investment in joint ventures	**11,662**	–
	532,682	271,244

MARKET REVIEW

During the Review Period, the Group has benefited from a diversified market distribution and adjusted its sales strategy and product structure in a timely manner when faced with 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 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 6.6%, 9.0% and 7.8% in 2018, respectively and the total retail sales of the furniture category grew by 10.1% year-on-year in 2018. With the continuous increase in resident income, the Group will be benefited 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 April 2019, the Group maintained the leadership position in China reclining sofa market while market share rose from 44.8% in 2017 to 45.3% in 2018.

North America market

The US macroeconomic data shows the economy of US was improving in 2018. According to the report of the US Department of Commerce, the US real GDP grew by 3.1% year-on-year in 2018. According to data published by the US Department of Commerce, total new houses completed for private owners in the US per annum in 2018 increased by approximately 2.8% from 2017. At the same time, new home sales increased in 2018 by approximately 6.5% when compared with 2017. According to the market survey report published by Euromonitor International[1] in April 2019, the ranking of the Group becomes the second among the reclining sofa players in US while the share of the Group in the US reclining sofa market was 10.7% in calendar year 2018 (9.8% in calendar year 2017). 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 announcement.

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

Europe and other overseas markets

In European market, there were still a lot of challenges. The European economy's growth was subject to more uncertainties due to Brexit negotiations, terrorist attacks and so on. According to the Eurostat, the real GDP in the Eurozone was only 1.8% year-on-year in 2018.

BUSINESS REVIEW

During the Review Period, the Group continued to enhance its core competitiveness by improving its internal operational efficiency. Facing increased uncertainties in overseas market by vigorously developing the Chinese market, the Group still maintained a positive revenue growth. During the Review Period, the Group's revenue reached a new high. The analysis of revenue by different regions is as follows:

1 China market

In the China market, as at 31 March 2019, the Group had a total of 2,614 "CHEERS First-class Cabin" brand sofa and "CHEERS Five-star Mattress" brand stores, and Fleming stores in China. During the Review Period, the net increase in the number of "CHEERS First-class Cabin" and "CHEERS Five-star Mattress" brand retail stores was 215. During the Review Period, sales from the China market increase by approximately 13.3% compared with the Last Corresponding Period.

In addition to the focus on production and sales of sofas and bedding products, the Group also produced and sold chairs and other products to high-speed railways, chain cinemas and other business customers. Moreover, the Group also produced and sold some smart furniture spare parts and other products.

2 North America market

In the North American market, the overall market competition remained fierce. The Group obtained steady sales growth during the Review Period by adjusting the product mix timely, strengthening the sales team and introducing the rapid delivery plan. During the Review Period, revenue in the North America market increased by approximately 15.5% compared with the Last Corresponding Period.

During the Review Period, the Group participated in four furniture exhibitions and introduced a number of new sofa models to customers in those exhibitions.

3 Europe and other overseas markets

In Europe, the Group recorded increase in revenue during the Review Period despite the factors of the weak economic growth in the Europe and the Brexit. During the Review Period, excluding Home Group, the total sales of all products from Europe and other overseas markets increased by 8.6%. For sofas, sales in Europe and other overseas markets increased by approximately 2.6%, including sales of sofas in the Europe increased by approximately 6.0%. Sales of other products including smart furniture spare parts in Europe has increased by 42.3%.

During the Review Period, Home Group had five sofa manufacturing factories in Poland, the Baltic States and Ukraine respectively, which are mainly engaged in the design and production of stationary sofas and sofa beds, and sells their products to many European furniture retailers, recording a decrease in revenue of 5.4% compared with the Last Corresponding Period. The main reason for the drop comes from the increased difficulties in hiring suitable workers for Ukraine factory because of the trend where part of the workforce in Ukraine is migrating to other more developed European countries.

RESEARCH AND DEVELOPMENT OF SMART FURNITURE PRODUCTS

During the Review Period, the Group also launched a series of new smart furniture products with innovative functions based on the changes in the market. At the same time, the Group continued to strengthen the development of core parts of smart furniture to further improve the proportion of self-produced parts, so as to effectively reduce the cost and improve the flexibility of product innovation.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2019	FY2018	Change (%)	**FY2019**	FY2018	**FY2019**	FY2018
Business of sofas and ancillary products	**8,615,513**	8,075,623	6.7%	**76.5%**	80.5%	**37.2%**	40.1%
Other products	**1,818,551**	1,079,994	68.4%	**16.2%**	10.8%	**23.4%**	27.0%
Home Group business	**823,728**	870,956	-5.4%	**7.3%**	8.7%	**24,9%**	24.6%
Total	**11,257,792**	10,026,573	12.3%	**100.0%**	100.0%	**34.1%**	37.3%

During FY2019, total revenue rose by approximately 12.3% to approximately HK$11,257,792,000 (FY2018: approximately HK$10,026,573,000). The overall gross profit margin decreased from approximately 37.3% to approximately 34.1% year-on-year. The main reason for decrease of the gross profit margin was due to the consolidation of Jiangsu Yulong business which was engaged in manufacturing of smart furniture spare parts and was acquired in January 2018. The gross profit margin of Jiangsu Yulong business is lower than that of the Group and consolidation of Jiangsu Yulong business has led to a decrease of gross profit margin of the Group. Moreover, the transfer from self-operating stores to franchisee stores also had negative effect on the gross profit ratio.

During FY2019, the cost of goods sold rose by approximately 18.1% from the Last Corresponding Period.

During the Review Period, excluding Home Group business, the Group produced approximately 1,226,000 sets of sofa products (FY2018: approximately 1,097,000 sets), representing an increase of approximately 11.8% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK$8,615,513,000, representing an increase of approximately 6.7% as compared with approximately HK$8,075,623,000 recorded in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$4,009,855,000, up by approximately 3.1% from approximately HK$3,890,398,000 in the Last Corresponding Period.

The increase in revenue was mainly attributable to the Group's increase of sales volume of sofas and ancillary products in China market during the Review Period. However, it is offset by the decrease of wholesale price due to more customers tending to purchase lower price products and the keen competition in market. On the other hand, the self-operating stores have been transferred to franchisees and this has also negative effect on the revenue.

1.2 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,964,227,000, grow by approximately 11.3% compared with approximately HK$3,560,328,000 from the Last Corresponding Period. Out of the said revenue from the North America during the Review Period, revenue from the US reached approximately HK$3,692,595,000, grow by approximately 12.6% compared with approximately HK$3,278,245,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$258,111,000, decreased by approximately 4.7% compared with approximately HK$270,823,000 from the Last Corresponding Period.

1.3 Europe and other overseas markets

During the Review Period, revenue of sofas and ancillary products from Europe and other overseas markets was approximately HK$641,431,000, up by approximately 2.6% compared with approximately HK$624,897,000 from the Last Corresponding Period. Out of the said revenue from Europe and other overseas markets during the Review Period, revenue from Europe was approximately HK$318,925,000, up by approximately 6.0% compared with approximately HK$300,973,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$322,506,000, down by approximately 0.4% compared with approximately HK$323,924,000 from the Last Corresponding Period.

2 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$1,818,551,000, representing an increase of approximately 68.4% as compared with approximately HK$1,079,994,000 in the Last Corresponding Period.

2.1 Revenue from bedding stores reached approximately HK$530,880,000, up by approximately 11.7% compared with approximately HK$475,342,000 in the Last Corresponding Period.

2.2 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$54,790,000, down by approximately 33.0% from approximately HK$81,818,000 in the Last Corresponding Period.

2.3 Revenue from smart furniture parts reached approximately HK$1,232,881,000 (including approximately HK$893,098,000 from China market, approximately HK$184,085,000 from North America market, approximately HK$155,698,000 from Europe and other overseas market), up by approximately 135.8% from approximately HK$522,834,000 (including approximately HK$383,522,000 from China market, approximately HK$29,922,000 from North America market, approximately HK$109,390,000 from Europe and other overseas market) in the Last Corresponding Period.

3 The Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK$823,728,000, down by approximately 5.4% compared with approximately HK$870,956,000 in the Last Corresponding Period.

Cost of goods sold

Cost of goods sold breakdown

	FY2019	FY2018	Change
	HK$'000	*HK$'000*	*(%)*
Cost of raw materials	**5,967,818**	5,139,966	16.1%
Labour costs	**1,100,730**	911,225	20.8%
Manufacturing overhead	**352,146**	232,442	51.5%
Total	**7,420,694**	6,283,633	18.1%

Major raw materials	**Average unit cost year-on-year change (%)**
Leather	**-1.2%**
Metal	**+3.5%**
Wood	**+2.0%**
Fabric	**-3.9%**
Chemicals	**+6.1%**
Packaging paper	**-0.6%**

Other income

During FY2019, other income of the Group increased by approximately 15.6% to approximately HK$421,424,000 (FY2018: approximately HK$364,630,000). The increase was mainly due to the increase in the Government subsidies and income on structured deposits.

	FY2019	FY2018	Change
	HK$'000	*HK$'000*	*(%)*
Income from sale of industrial waste*	**138,221**	68,540	101.7%
Government subsidies**	**171,812**	216,211	-20.5%
Income on structured deposits***	**10,238**	19,741	-48.1%
Interest income	**53,204**	31,338	69,8%
Others	**47,949**	28,800	66.5%
Total	**421,424**	364,630	15.6%

Notes:

* Income from sale of industrial waste is revenue from the sale of non-reusable leather, cotton, wood etc. generated in the normal production process of the Group. During the Review Period, such income accounted for approximately 1.2% of total income (sale of industrial waste accounted for approximately 0.7% 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 FY2019, other gains and losses of the Group amounted to losses of approximately HK$102,596,000 (the Last Corresponding Period: losses of approximately HK$26,168,000). The aforesaid other losses in the Review Period mainly come from the loss from fair value change of financial assets at fair value through profit or loss.

For the holding for trading investments one of the bonds issuer recently have the event of Default Payment; in which the Group holds US$20,000,000 (equal to approximately HK$157,000,000) of bond. The Group is taking legal actions towards the bond issuer and US$7,368,000 (equal to approximately HK$58,353,000) of loss from fair value change of that investment are recorded during the Review Period,

Selling and distribution expenses

Selling and distribution expenses increased by approximately 6.7% from approximately HK$1,693,223,000 in FY2018 to approximately HK$1,806,183,000 in FY2019. Selling and distribution expenses as a percentage of revenue decreased from approximately 16.9% in FY2018 to approximately 16.0% in FY2019. The decrease was mainly attributable to the following:

(a) Overseas transportation and port fees decreased by approximately 2.3% from approximately HK$611,452,000 to approximately HK$597,471,000. Overseas transportation and port fees as a percentage of revenue decreased from approximately 6.1% in last year to approximately 5.3%; domestic transportation expenses increased by approximately 19.9% from approximately HK$203,015,000 to approximately HK$243,510,000. Domestic transportation expenses as a percentage of revenue of approximately 2.0% in last year to approximately 2.2%;

(b) Advertising, promotion and brand building expenses decreased by approximately 8.3% from approximately HK$230,469,000 to approximately HK$211,430,000. Advertising, promotion and brand building expenses as a percentage of revenue decreased from approximately 2.3% to approximately 1.9%;

(c) Salaries, welfare and commissions of sales staff decreased by approximately 3.9% from approximately HK$295,420,000 to approximately HK$283,923,000. Salaries, welfare and commissions of sales staff as a percentage of revenue decreased from approximately 2.9% to approximately 2.5%; and

(d) Custom duty has been imported on the goods exported to U.S. amounted to approximately HK$99,480,000 which constituted as a percentage of revenue of approximately 0.9%.

Administrative and other expenses

Administrative and other expenses increased by approximately 24.5% from approximately HK$442,052,000 in FY2018 to approximately HK$550,242,000 in FY2019. As a percentage of revenue, administrative and other expenses were approximately 4.9% (FY2018: approximately 4.4%).

Income tax expense

Income tax expense decreased by approximately 15.5% from approximately HK$368,639,000 in FY2018 to approximately HK$311,351,000 in FY2019. The proportion of income tax expense to profit before tax decreased from approximately 19.2% in FY2018 to approximately 18.1% in FY2019.

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company decreased by approximately 11.2% from approximately HK$1,535,908,000 in FY2018 to approximately HK$1,363,801,000 in FY2019. The net profit margin of the Group decrease from approximately 15.3% in FY2018 to approximately 12.1% in FY2019. The decrease in profit attributable to owners of the Company and net profit margin was mainly due to decrease of the gross profit margin from approximately 37.3% in FY2018 to approximately 34.1% in FY2019.

Dividends

The Board has proposed a final dividend of HK6.0 cents per share for the FY2019. During the FY2019, the Board has already declared and paid an interim dividend of HK6.0 cents per share. Total dividends declared for FY2019 accounted for approximately 33.7% of the profit attributable to owners of the Company.

Working capital

As at 31 March 2019, the Group's bank balances and cash were approximately HK$1,438,339,000.

During FY 2019, the Group has large amount of capital expenditure including the expenditure on Vietnam factory acquired during the current year and the land in Shenzhen. Therefore, the Group has raised more bank borrowings for the capital expenditure. The Group has been committed to maintain the sound financial policy. Benefiting from the steady and healthy development of the Company's business, it can effectively manage its cash flow and capital commitments. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing the sustainable and stable dividend return to shareholders. The Group has not experienced and does not expect to experience any difficulties in meeting its obligations when they are due.

Liquidity and capital resources

As at 31 March 2019, the Group's short-term borrowings amounted to approximately HK$2,892,699,000 and long-term borrowings amounted to approximately HK$1,660,070,000. The Group's major bank borrowings denominated in HKD and RMB carry interest at fixed and variable rates. The fixed rates are ranging from 4.25% to 4.35% (2018: nil). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.43% to 3.40% (2018: 1.59% to 2.02%), or best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited ("Best Lending Rate") plus 1% or ii) Euro Interbank Offered Rate plus a spread, ranging from 1.50% to 4.18% (2018: 1.94% to 4.17%). The weighted average effective interest rate of the above variable-rate and fixed-rate bank borrowings was 2.93% and 4.33%, respectively (2018: 1.88% and nil, respectively), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2019, the Group's current ratio was approximately 1.2 (31 March 2018: approximately 1.5). As at 31 March 2019, the Group's gearing ratio was approximately 73.2% (31 March 2018: approximately 22.5%), which is defined as total borrowings divided by total equity attributable to owners of the Group. The higher gearing ratio is mainly resulted from the larger amount of capital expenditure during the Review Period.

Allowance for inventories

For FY2019, the Group reversed impairment allowance for inventories of approximately HK$1,258,000 (FY2018: reversed impairment allowance of approximately HK$1,512,000).

Impairment loss on trade and other receivables

For FY2019, the Group provided impairment loss on trade and other receivables of approximately HK$738,000 (FY2018: approximately HK$635,000).

Pledge of assets

As at 31 March 2019, there was approximately HK$139,100,000 restricted bank balances. As of 31 March 2019, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant and equipment with book value of approximately HK$104,963,000 (FY2018: HK$122,310,000) and inventories with book value of approximately HK$15,890,000 (FY2018: HK$18,139,000).

Capital commitments and contingent liabilities

Save as disclosed in note 10, the Group did not have any material capital commitment as at 31 March 2019.

As at 31 March 2019, 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. As such, during the Review Period, the USD against RMB remained stable during the Review Period. In addition, the Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB and HKD. The revenue of Home Group's current business in Europe was settled mainly in Euro, while the cost was settled mainly in Euro, UAH and PLN. As at the date of this announcement, the Group has no hedging policy (such as using any financial instrument) with respect to foreign exchange exposure.

Significant investments and acquisitions
Acquisition of the group of Beyond Excel Holdings Limited ("Beyond Excel")

On 12 June 2018, the equity transfer agreement in relation to the acquisition of a controlling stake in Beyond Excel was signed. The Group acquired 100% equity interest in Beyond Excel at USD68 million (equivalent to approximately HK$534 million). Beyond Excel and its subsidiary, Timberland Company Limited, are principally engaged in the production and sales of sofas in Vietnam, and exportation to overseas market.

The accounts of Beyond Excel have been consolidated into the consolidated financial statements of the Group since 15 June 2018.

Development of a Piece of Land in Qianhai, Shenzhen

Reference is made to the announcement of the Company dated 17 December 2018 relating to the acquisition of land in Qianhai, Shenzhen. According to the said announcement, the Group has acquired a piece of land in Qianhai, Shenzhen, PRC, through a direct wholly-owned subsidiary of the Company, for RMB1.338 billion (equivalent to approximately HK$1.515 billion).

The original development plan of the land included developing for commercial purposes. The term of land use rights is 40 years.

Except for the 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 2019, the Group had 19,179 employees (31 March 2018: 15,985 employees). The increase of number of employees are mainly resulted from the commencement of operation of Chongqing factory and acquisition of Vietnam factory during the Review Period.

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

During FY2019, the total staff cost for the Group amounted to approximately HK$1,627,415,000 (FY2018: approximately HK$1,414,217,000), of which approximately HK$15,994,000 (FY2018: approximately HK$16,305,000) 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 FY2019, the Company repurchased a total of 10,278,000 ordinary shares of the Company at an aggregate purchase price of approximately HK$43,348,865.8 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased *('000)*	Price per ordinary share Highest *(HK$)*	Lowest *(HK$)*	Aggregate purchase price *(HK$'000)*
October 2018	10,278	4.30	4.07	43,349
Total	10,278			43,349

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 5 July 2018, 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.

Future Plans and Prospects

In the future, the Group will continue to strengthen its core competencies in recliner and maintain the leading position in the industry. Through further vertical integration, the Group intends to improve the proportion of self-produced spare parts, thereby effectively reduce costs and increase flexibility in product design. In the manufacturing sector, the Group will be committed to improving the level of automation and intelligence. At the same time, the Group will also continue to provide healthy, comfortable, worthwhile, and trendy furniture products.

The Group is fully aware of the great potential of branded furniture market in China, and will accelerate the pace of expansion in the PRC market in the next year. The Group will strengthen brand promotion, with the aim of building the "CHEERS First-Class Cabin" brand into a well-known consumer brand, and continues to expand its store network in China. In addition, the Group will, as always, strengthen the refined management of existing stores, including performance management, and better motivate its store staffs to maintain a steady revenue growth in existing stores. On the other hand, the Group will be eager to develop on-line sales because the consumption ability of younger group consumers, the main consumer group of on-line business, become higher and able to afford to recliner sofa.

In the North American market, challenges are still great, including the "Trade War" between the US Government and Chinese Government. The newly acquired factory in Vietnam will be expanded in order to increase the capacity and prepare for the possible transfer of production from factory in China and respective expansion will finish in the fourth quarter of 2019. In respect of products, the Group will keep innovation and improvement of quality in order to maintain its competitiveness in North American market.

In Europe and other overseas markets, the Group plans to achieve revenue growth by product restructuring, launching more value-added products, increase the selling price, and developing more new customers. At the same time, the Group will fully utilize Home Group's land and plants in Europe to produce recliner sofas in Europe, so as to meet the demand of fast delivery and quick inventory turnover from European customers.

Important events after the Review Period

There is no important event after the Review Period that should be notified to the shareholders of the Company.

CORPORATE GOVERNANCE CODE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 2019.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 5 July 2019, will be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 5 July 2019 (the "AGM"). The transfer books and register of members will be closed from Tuesday, 2 July 2019 to Friday, 5 July 2019 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 Friday, 28 June 2019. 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 Monday, 15 July 2019, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Thursday, 11 July 2019 to Monday, 15 July 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 10 July 2019. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on Thursday, 25 July 2019 to Shareholders whose name appear on the register of members of the Company on Monday, 15 July 2019. The Shares will be traded ex-dividend on Tuesday, 9 July 2019.

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 2019 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 FY2019. 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, 21 May 2019

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Alan Marnie, Mr. Dai Quanfa, Ms. Wong Ying Ying, and Mr. Tsang Hoi Lam; and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony and Mr. Ding Yuan.