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 2020 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 2020 ("FY2020", "Current FY", the "Review Period" or the "Reporting Period") together with the comparative figures for the previous financial year ended 31 March 2019 ("FY2019", "Last Corresponding Period" or the "Last FY").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTE	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*3*	**12,144,299**	11,257,792
Cost of goods sold	*5*	**(7,726,600)**	(7,420,694)
Gross profit		**4,417,699**	3,837,098
Other income		**413,794**	421,424
Other gains/(losses), net		**56,724**	(102,596)
Selling and distribution expenses	*5*	**(2,001,747)**	(1,806,183)
Administrative and other expenses	*5*	**(622,084)**	(550,242)
Operating profit		**2,264,386**	1,799,501
Finance costs		**(155,947)**	(79,345)
Share of results of joint ventures		**805**	(4,129)
Profit before income tax		**2,109,244**	1,716,027
Income tax expense	*4*	**(417,247)**	(311,351)
Profit for the year		**1,691,997**	1,404,676
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain, net of tax:			
— Properties, plant and equipment		**–**	8,373
Items that may be reclassified to profit or loss:			
Currency translation differences		**(559,868)**	(446,909)
Total comprehensive income for the year		**1,132,129**	966,140
Profit for the year attributable to:			
Owners of the Company		**1,638,069**	1,363,801
Non-controlling interests		**53,928**	40,875
		1,691,997	1,404,676

	NOTE	2020 HK$'000	2019 HK$'000
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**1,097,813**	966,559
Non-controlling interests		**34,316**	(419)
		1,132,129	966,140
Earnings per share attributable to owners of the Company			
Basic *(HK cents per share)*	*6*	**42.89**	35.62
Diluted *(HK cents per share)*	*6*	**42.87**	35.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	NOTE	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,949,987**	3,798,748
Investment properties		**455,215**	485,110
Right-of-use assets		**2,228,518**	–
Lease premium for land		**–**	2,429,180
Goodwill		**524,048**	525,904
Other intangible assets		**188,440**	222,033
Interests in joint ventures		**29,673**	30,859
Deferred tax assets		**12,031**	3,708
Deposit paid for a land lease		**3,692**	3,944
Prepayments and deposits paid for acquisition of property, plant and equipment		**156,023**	70,986
		7,547,627	7,570,472
Current assets			
Inventories		**1,532,993**	1,413,563
Properties held for sale		**48,227**	–
Properties under development		**149,410**	433,471
Trade and bills receivables	*8*	**1,210,754**	1,309,685
Other receivables and prepayments		**470,341**	554,817
Lease premium for land		**–**	53,171
Financial assets at fair value through profit or loss		**204,682**	220,650
Tax recoverable		**1,941**	12,519
Structured deposits		**3,946**	–
Restricted bank balances		**23,636**	139,100
Cash and cash equivalents		**2,020,245**	1,438,339
Total current assets		**5,666,175**	5,575,315
Total assets		**13,213,802**	13,145,787

	NOTE	2020 HK$'000	2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,518,376**	1,529,249
Reserves		**5,185,771**	4,693,988
		6,704,147	6,223,237
Non-controlling interests		**528,549**	492,826
Total equity		**7,232,696**	6,716,063
LIABILITIES			
Non-current liabilities			
Lease liabilities		**29,533**	–
Bank borrowings – non-current portion		**701,786**	1,660,070
Deferred tax liabilities		**128,896**	130,086
Other non-current liabilities		**1,333**	1,667
		861,548	1,791,823
Current liabilities			
Trade and bills payables	9	**967,090**	663,432
Other payables and accruals		**452,160**	455,651
Lease liabilities		**28,755**	–
Contract liabilities		**260,856**	567,740
Bank borrowings – current portion		**3,277,499**	2,892,699
Tax payable		**133,198**	58,379
		5,119,558	4,637,901
Total liabilities		**5,981,106**	6,429,724
Total equity and liabilities		**13,213,802**	13,145,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

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 thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated, for the convenience of the shareholders as the Company is listed in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basic of preparation

The consolidated financial statements of Man Wah Holdings Limited have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss ("FVPL") – measured at fair value; and
- investment properties – measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements and the principal accounting policies applied in the preparation of these consolidated financial statements are included in the 2020 Annual Report. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) ***New and amended standards adopted by the Group***

The Group has applied the following standards and amended standards for the first time for their annual reporting period commencing 1 April 2019:

IFRS 16	Leases
Annual improvements project	Annual Improvements 2015–2017 Cycle
IFRIC 23	Uncertainty over income tax treatment
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IAS 19	Defined benefit plan amendment, curtailment or settlement

The Group had to change its accounting policies and make certain retrospective adjustments on the opening consolidated statement of financial position on 1 April 2019 following the adoption of IFRS 16. The adoption of other amendments to standards did not have any material impact on the consolidated financial statements for the current year or any prior years.

(ii) ***New standards, amendments to standards and interpretations not yet adopted***

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting[1]
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform – amendment to IFRS 7, IFRS 9 and IAS 391
IFRS 17	Insurance contract[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date to be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16, "Leases" on the Group's consolidated financial statements.

The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 range from 2.93% to 7.99% per annum.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- reliance on previous assessments on whether leases are onerous
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	30,086
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2,190)
(Less): short-term leases recognised on a straight-line basis	(667)
Add: adjustments as a result of different treatment of extension and termination options	39,895
Lease liabilities recognised as at 1 April 2019	67,124
Of which are:	
Current lease liabilities	26,892
Non-current lease liabilities	40,232
	67,124

(iii) ***Measurement of right-of-use assets***

The recognised right-of-use assets are solely related to rented land and properties. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

(iv) ***Adjustments recognised in the consolidated statement of financial position on 1 April 2019***

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

– right-of-use assets – increase by HK$2,549,475,000
– lease premium for land – decrease by HK$2,482,351,000
– lease liabilities – increase by HK$67,124,000

Profit per share decreased by HK$0.0007 per share for the year ended 31 March 2020 as a result of the adoption of IFRS 16.

(v) ***Lessor accounting***

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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.
Other business	–	sales of residential properties, hotel operation and furniture mall business
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

During the year, the Group had a new business segment, namely "Other business" segment. The comparative information has been restated accordingly.

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 and bills 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 gains/(loss), fair value gain/(loss) on investment properties, loss from change in fair value of financial assets at FVPL, share of results of joint ventures, government subsidies, finance costs, central administrative costs and directors' emoluments.

Segment revenues and results

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

For the year ended 31 March 2020

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Other business *HK$'000*	Home Group business *HK$'000*	Total *HK$'000*
REVENUE					
External sales	**8,155,269**	**2,453,102**	**791,812**	**744,116**	**12,144,299**
RESULTS					
Segment results	**1,688,489**	**560,194**	**289,845**	**38,496**	**2,577,024**
Interest income					**58,801**
Income on structured deposits					**3,764**
Rental income					**14,656**
Share of results of joint ventures					**805**
Exchange gains – net					**67,201**
Government subsidies					**163,014**
Fair value loss on investment properties					**(4,569)**
Loss from change in fair value of financial assets at FVPL					**(1,746)**
Finance costs					**(152,558)**
Central administrative costs and directors' emoluments					**(617,148)**
Profit before income tax					**2,109,244**

For the year ended 31 March 2019

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Other business *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	(21,748)	17,010	2,132,636
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 FVPL					(91,104)
Finance costs					(74,382)
Central administrative costs and directors' emoluments					(486,073)
Profit before income tax					1,716,027

Other information

	Sofa and ancillary products *HK$'000*	**Other products** *HK$'000*	**Other business** *HK$'000*	**Home Group business** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment result:					
For the year ended 31 March 2020					
Loss/(gain) on disposal of property, plant and equipment	**3,336**	**(472)**	**–**	**(113)**	**2,751**
Depreciation and amortisation	**304,328**	**58,676**	**6,318**	**32,547**	**401,869**
Provision for/(reversal of) impairment for trade and bills receivables	**–**	**1,775**	**–**	**1,752**	**3,527**
Provision for/(reversal of) impairment for inventories	**24,867**	**–**	**–**	**(469)**	**24,398**

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Other business *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	1,674	196	–	(82)	1,788
Depreciation and amortisation	171,966	45,377	4,119	35,526	256,988
Release of lease premium for land	28,984	–	1,498	–	30,482
(Reversal of)/provision for impairment for trade and bills receivables	(84)	–	–	822	738
(Reversal of)/provision for impairment for inventories	(1,802)	–	–	544	(1,258)

Geographical information

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

	2020	2019
	HK$'000	*HK$'000*
PRC (including Hong Kong and Macau)	**6,954,742**	5,488,621
North America	**3,507,855**	4,148,312
Europe	**1,130,926**	1,210,992
Others	**550,776**	409,867
	12,144,299	11,257,792

Note: Others mainly included 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:

	2020	2019
	HK$'000	*HK$'000*
PRC (including Hong Kong and Macau)	**5,661,149**	6,119,002
Europe	**560,580**	601,885
Vietnam	**1,309,971**	841,259
Others	**3,896**	4,618
	7,535,596	7,566,764

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2019: none).

4. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current income tax:		
PRC Corporate Income Tax ("PRC CIT")	**305,061**	269,123
PRC Withholding Income Tax	**15,997**	37,920
PRC Land Appreciation Tax ("PRC LAT")	**87,468**	–
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,425**	1,186
Others	**14,292**	1,585
Deferred tax (credit)/expense	**(7,442)**	3,495
Under/(over)-provision in prior years	**446**	(1,958)
	417,247	311,351

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, is approved 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% (2019: 21%) and state income tax calculated from 0% to 9% (2019: 0% to 9%) 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. EXPENSES BY NATURE

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories	**7,702,202**	7,344,418
Auditor's remuneration (including non-audit services)	**3,918**	3,637
Amortisation of intangible assets	**32,224**	31,786
Depreciation of property, plant and equipment	**278,312**	225,202
Depreciation of right-of-use assets	**91,333**	–
Employee benefit expenses (including directors' emoluments)	**1,729,151**	1,627,415
Release of lease premium for land	**–**	30,482
Operating lease charges in respect of land and building	**19,318**	53,404
Provision for/(reversal of) impairment of inventories	**24,398**	(1,258)
Legal and professional fee	**31,241**	39,415

6. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2020	2019
Basic		
Profit attributable to owners of the Company for the year *(HK$'000)*	**1,638,069**	1,363,801
Weighted average outstanding ordinary share, in thousands	**3,819,581**	3,829,759
Basic earnings per share for the year in HK cents	**42.89**	35.62
Diluted		
Profit attributable to owners of the Company for the year *(HK$'000)*	**1,638,069**	1,363,801
Weighted average outstanding ordinary share, in thousands	**3,819,581**	3,829,759
Effect of dilutive potential ordinary shares on exercise of share options	**1,106**	1,977
Weighted average outstanding ordinary shares after assuming dilution, in thousands	**3,820,687**	3,830,736
Diluted earnings per share for the year in HK cents	**42.87**	35.60

7. DIVIDENDS

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

	2020	2019
	HK$'000	*HK$'000*
Final dividend for 2019 of HK$0.06 (2019: HK$0.12 for 2018) per share	**229,399**	459,993
Interim dividend for 2020 of HK$0.07 (2019: HK$0.06 for 2019) per share	**267,095**	229,385
	496,494	689,378

A final dividend of HK$0.12 per share in respect of the year ended 31 March 2020, amounting to approximately HK$455,513,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on 13 July 2020, has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. TRADE AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade and bills receivables	**1,215,294**	1,311,899
Less: provision for impairment of trade and bills receivables	**(4,540)**	(2,214)
Trade and bills receivables – net	**1,210,754**	1,309,685

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:

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**1,054,410**	1,174,553
91–180 days	**123,737**	96,513
Over 180 days	**32,607**	38,619
	1,210,754	1,309,685

9. TRADE AND BILLS PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade and bills payables	**967,090**	663,432

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:

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**966,854**	661,348
91–180 days	**175**	1,618
Over 180 days	**61**	466
	967,090	663,432

10. CAPITAL COMMITMENTS

	2020	2019
	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	**77,862**	108,462
– construction of production plant	**178,797**	289,101
	256,659	397,563
Other commitments of		
– construction of property under development	**24,534**	123,457
– investment in joint ventures	**10,917**	11,662
	35,451	135,119
	292,110	532,682

MARKET REVIEW

During the Review Period, the Group accelerated the expansion of production in Vietnam to reduce the impact of the trade war. Our North American business gradually recovered and began to resume good growth in the later period (before the outbreak of a novel strain of coronavirus COVID-19). Meanwhile, the Group strengthened sales in the Chinese market and achieved rapid growth in the sales volume and sales revenue of sofas in the market thanks to strategies such as online and offline integration, product innovation, and diversified sales channels. According to the latest market research report released by Frost & Sullivan in April 2020, the retail sales of the global recliner sofa market increased by 6.8% to US$25.1 billion and the Group once again ranked the first in the global sales volume of recliner sofas.

China Market

During the Review Period, the Chinese market was still facing challenges, but the overall economy stabilized for a short term due to the outbreak of COVID-19. The living consumption expenditure of urban residents grew at a faster rate than the consumption expenditure of other categories, and the recliner sofa sub-category became the main driving force for sofa growth. In 2019, the GDP of China reached approximately RMB99.1 trillion, a real growth of 6.1% from 2018 while the per capita consumption expenditure of the Chinese urban population reached approximately RMB28,100, an increase of 7.5% from 2018, according to data released by the National Bureau of Statistics of China. The per capita living consumption expenditure was RMB5,055, up by 8.8% from 2018, accounting for 23.4% of the per capita consumption expenditure. In the past year, the demands of consumers were changing from basic needs to high-quality living and consumption needs due to their increased per capita disposable income. There was a significant increase in spending in the improvement of living conditions, daily necessities, and healthcare. According to the latest market research report released by Frost & Sullivan in April 2020, the retail sales of China's sofa market increased slightly by 4.2% in 2019, and the overall industry was not very concentrated. In FY2020, there was a substantial growth of 18.6% in the retail sales volume of recliner sofas and an increase of 11.6% in their retail sales revenue in China, much higher than the growth rate of the sofa market in China. China's recliner sofa market in 2019 is still dominated by one major player, followed by a few comparative smaller but strong players. The market share of the CHEERS brand under Man Wah rose from 45.3% in 2018 to 50.1% in 2019, representing a faster pace towards the market leading position.

US Market

During the Review Period, Sino-US economic and trade relations suffer repeated setbacks, and the Federal Reserve also changed its monetary policy. The United States' nominal GDP reached approximately US$21.4 trillion in 2019. According to data from the Bureau of Economic Analysis of the United States, the compound annual growth rate (CAGR) of American personal consumption expenditures on furniture and household appliances was 5.2% from 1929 to 2018, higher than the 3.2% growth rate of the US GDP during the same period. In other words, the United States' consumer spending on furniture and household appliances grew faster than its GDP. According to the latest market research report released by Frost & Sullivan in April 2020, the retail sales of the US sofa market reached approximately US$28.5 billion in 2019, a slight increase of 3.6% as compared to 2018. The retail sales of the recliner sofa market increased by approximately 4.3% to approximately US$11.8 billion in 2019, higher than the 3.6% growth in the retail sales of the US sofa market during the same period. The Group maintained the second place among recliner sofa players in the US with the market share of 10.8% in 2019 (10.7% in calendar year 2018). The Group will strive to obtain a bigger share and increased revenue in future competition by leveraging its advantages in large-scale production capacity, quality and cost.

Europe and Other Overseas Markets

The European market continued to face the growth dilemma. Brexit, frequent labour strikes, and high government burdens posed huge challenges to European economic growth. According to the Eurostat, the real GDP in the Eurozone increased by 1.4% year-on-year in 2019. Given the intense competition in the European sofa market, we will provide more diversified and competitive products to increase our shares stably in the market as well as other overseas markets.

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. The Group also acquired a smart home product line to increase its share in the smart furniture R&D market and diversify its production lines.

BUSINESS OVERVIEW

During the Review Period, the Group benefited from its diversified market distribution. Despite challenges brought by Brexit and the global COVID-19 epidemic, the Group vigorously developed new retail business and continued to maintain positive revenue growth and the highest sales volume in the industry. 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 2020, the Group had a total of 2,874 "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 260. During the Review Period, sales from the China market (excluding other business) increase by approximately 12.1% 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.

In addition, the Group acquired a smart household product manufacturer in Guangdong during the Review Period, whose accounts have been included in the accounts of the Group's subsidiaries since 1 March 2020.

2 North America market

In the North American market, the overall market competition remained fierce. The Group quickly increased its market share by adjusting the product mix in a timely manner, strengthening the building of a sales team and launching new products. During the Review Period, revenue in the North America market decreased by approximately 15.4% 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 Brexit and the global COVID-19 epidemic. During the Review Period, excluding Home Group, the total sales from Europe and other overseas markets increased by 17.6%. For sofas, sales in Europe and other overseas markets increased by approximately 11.4%, including sales of sofas in the Europe decreased by approximately 2.8%. Sales of other products including smart furniture spare parts in Europe has increased by 43.3%. 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 9.7% 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 global epidemic.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2020	FY2019	Change (%)	**FY2020**	FY2019	**FY2020**	FY2019
Business of sofas and ancillary products	**8,155,269**	8,615,513	-5.3%	**67.2%**	76.5%	**38.7%**	37.2%
Other products	**2,453,102**	1,818,551	34.9%	**20.2%**	16.2%	**29.8%**	23.4%
Home Group business	**744,116**	823,728	-9.7%	**6.1%**	7.3%	**28.2%**	24.9%
Other business	**791,812**	–	100.0%	**6.5%**	–	**40.1%**	–
Total	**12,144,299**	11,257,792	7.9%	**100.0%**	100.0%	**36.4%**	34.1%

During FY2020, total revenue rose by approximately 7.9% to approximately HK$12,144,299,000 (FY2019: approximately HK$11,257,792,000). The overall gross profit margin increased from approximately 34.1% to approximately 36.4% year-on-year. The main reason for the increase of the gross profit margin was a reduction in the unit production cost due to economy of scale achieved by the capacity expansion of the Vietnam factory. On the other hand, sales prices had been adjusted for products of Home Group as their quality was well recognized by the market, which contributed to the increase of the gross profit margin.

During FY2020, the cost of goods sold rose by approximately 4.1% from the Last Corresponding Period.

During the Review Period, excluding Home Group business, the Group produced approximately 1,267,000 sets of sofa products (FY2019: approximately 1,226,000 sets), representing an increase of approximately 3.4% (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$8,155,269,000, representing a decrease of approximately 5.3% as compared with approximately HK$8,615,513,000 recorded in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$4,114,012,000, up by approximately 2.6% from approximately HK$4,009,855,000 in the Last Corresponding Period.

During the Review Period, the Group's sales volume of sofas in China increased rapidly. 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 Group quickly secured China's recliner sofa market by lowering wholesale prices due to the vigorous promotion of its new retail initiatives.

1.2 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,326,760,000, down by approximately 16.1% compared with approximately HK$3,964,227,000 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$3,092,802,000, down by approximately 16.2% compared with approximately HK$3,692,595,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$211,794,000, decreased by approximately 17.9% compared with approximately HK$258,111,000 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$714,497,000, up by approximately 11.4% compared with approximately HK$641,431,000 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$309,840,000, down by approximately 2.8% compared with approximately HK$318,925,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$404,657,000, up by approximately 25.5% compared with approximately HK$322,506,000 from the Last Corresponding Period.

2 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$2,453,102,000, representing an increase of approximately 34.9% as compared with approximately HK$1,818,551,000 in the Last Corresponding Period.

2.1 Revenue from bedding stores reached approximately HK$1,239,786,000, up by approximately 133.5% compared with approximately HK$530,880,000 in the Last Corresponding Period.

2.2 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$62,598,000, up by approximately 14.3% from approximately HK$54,790,000 in the Last Corresponding Period.

2.3 Revenue from smart furniture parts reached approximately HK$1,150,718,000 (including approximately HK$746,534,000 from China market, approximately HK$181,094,000 from North America market, approximately HK$223,090,000 from Europe and other overseas market), down by approximately 6.7% from 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) in the Last Corresponding Period.

3 The Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK$744,116,000, down by approximately 9.7% compared with approximately HK$823,728,000 in the Last Corresponding Period.

4 Other business

During the Review Period, the real estate sales revenue of approximately HK$748,576,000 was recognised at the time when properties started to be transferred to their buyers. Other revenue came from the hospitality and furniture mall business.

Cost of goods sold

Cost of goods sold breakdown

	FY2020	FY2019	Change
	HK$'000	*HK$'000*	*(%)*
Cost of raw materials	**6,244,588**	5,967,818	4.6%
Labour costs	**1,133,692**	1,100,730	3.0%
Manufacturing overhead	**348,320**	352,146	-1.1%
Total	**7,726,600**	7,420,694	4.1%

Major raw materials	**Average unit cost year-on-year change (%)**
Leather	**-1.3%**
Metal	**-25.4%**
Wood	**-8.1%**
Fabric	**-2.0%**
Chemicals	**-27.4%**
Packaging paper	**-21.9%**

Other income

During FY2020, other income of the Group decreased by approximately 1.8% to approximately HK$413,794,000 (FY2019: approximately HK$421,424,000). The decrease was mainly due to the decrease in income on sale of industrial waste and structured deposits.

	FY2020	FY2019	Change
	HK$'000	*HK$'000*	*(%)*
Income from sale of industrial waste[(1)]	**120,177**	138,221	-13.1%
Government subsidies[(2)]	**163,014**	171,812	-5.1%
Income on structured deposits[(3)]	**3,764**	10,238	-63.2%
Interest income	**58,897**	53,204	10.7%
Others	**67,942**	47,949	41.7%
Total	**413,794**	421,424	-1.8%

Notes:

(1) 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 1.0% of total income (sale of industrial waste accounted for approximately 1.2% of total income in the Last Corresponding Period).

(2) Government subsidies mainly consist of subsidies from local governments to subsidiaries in China.

(3) Income on 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 FY2020, other gains and losses of the Group amounted to gains of approximately HK$56,724,000 (the Last Corresponding Period: losses of approximately HK$102,596,000). The aforesaid gains in the Review Period mainly come from exchange gains of approximately HK$68,000,000 (Last Corresponding Period: the loss from fair value change of financial assets at fair value through profit or loss of HK$91,104,000).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 10.8% from approximately HK$1,806,183,000 in FY2019 to approximately HK$2,001,747,000 in FY2020. Selling and distribution expenses as a percentage of revenue increased from approximately 16.0% in FY2019 to approximately 16.5% in FY2020. The increase was mainly attributable to the following:

(a) Advertising, promotion and brand building expenses increased by approximately 34.2% from approximately HK$211,430,000 to approximately HK$283,643,000, and their percentage in revenue increased from approximately 1.9% to approximately 2.3%. Among the expenses, promotion expenses increased by approximately 98.9% from approximately HK$100,288,000 to approximately HK$199,449,000, and their percentage in revenue increased from approximately 0.9% to approximately 1.6%;

(b) Salaries, welfare and commissions of sales staff increased by approximately 17.7% from approximately HK$283,923,000 to approximately HK$334,187,000, and their percentage in revenue increased from approximately 2.5% to approximately 2.8%;

(c) Domestic transportation expenses increased by approximately 4.0% from approximately HK$243,510,000 to approximately HK$253,321,000. Domestic transportation expenses as a percentage of revenue of approximately 2.2% in last year decreased to approximately 2.1%.

(d) Custom duties imposed on goods exported to U.S. rose by approximately 9.2% from approximately HK$99,480,000 to approximately HK$108,613,000 and accounted for approximately 0.9% of revenue.

(e) Network service expenses increased by approximately 55.2% from approximately HK$40,645,000 to approximately HK$63,093,000, and their percentage in revenue increased from approximately 0.4% to approximately 0.5%;

Administrative and other expenses

Administrative and other expenses increased by approximately 13.1% from approximately HK$550,242,000 in FY2019 to approximately HK$622,084,000 in FY2020. As a percentage of revenue, administrative and other expenses were approximately 5.1% (FY2019: approximately 4.9%).

Income tax expense

Income tax expense increased by approximately 34.0% from approximately HK$311,351,000 in FY2019 to approximately HK$417,247,000 in FY2020. The proportion of income tax expense to profit before tax increased from approximately 18.1% in FY2019 to approximately 19.8% in FY2020.

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company increased by approximately 20.1% from approximately HK$1,363,801,000 in FY2019 to approximately HK$1,638,069,000 in FY2020. The net profit margin of the Group increased from approximately 12.1% in FY2019 to approximately 13.5% in FY2020. The increase in profit attributable to owners of the Company and net profit margin was mainly due to increase of the gross profit margin from approximately 34.1% in FY2019 to approximately 36.4% in FY2020.

Dividends

The Board has proposed a final dividend of HK12.0 cents per share for the FY2020. During the FY2020, the Board has already declared and paid an interim dividend of HK7.0 cents per share. Total dividends declared for FY2020 accounted for approximately 44.3% of the profit attributable to owners of the Company.

Working capital

As at 31 March 2020, the Group's bank balances and cash were approximately HK$2,020,245,000.

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 repayment obligations when the loan facilities are due.

Liquidity and capital resources

As at 31 March 2020, the Group's short-term borrowings amounted to approximately HK$3,277,499,000 and long-term borrowings amounted to approximately HK$701,786,000. The Group's major bank borrowings denominated in HKD and RMB which carry interest at fixed and variable rates. The fixed rates are ranging from 3.60% to 4.35% (2019: 4.25% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 2.58% to 3.56% (2019: 2.43% to 3.40%), 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 2.10% to 3.15% (2019: 1.50% to 4.18%). The weighted average effective interest rate of the above variable-rate and fixed- rate bank borrowings was 3.01% and 4.09%, respectively (2019: 2.93% and 4.33%, respectively), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2020, the Group's current ratio was approximately 1.1 (31 March 2019: approximately 1.2). As at 31 March 2020, the Group's gearing ratio was approximately 59.4% (31 March 2019: approximately 73.2%), which is defined as total borrowings divided by total equity attributable to owners of the Group. The decrease of the gearing ratio compared with 2019 is mainly because the construction of Vietnam factory was completed and it put into operation in the first half of 2019 and loans decreased accordingly due to the resulting lower capital expenditure.

Allowance for inventories

For FY2020, the Group provided impairment allowance for inventories of approximately HK$24,398,000 (FY2019: reversed impairment allowance of approximately HK$1,258,000).

Impairment loss on trade and other receivables

For FY2020, the Group provided impairment loss on trade and other receivables of approximately HK$3,527,000 (FY2019: approximately HK$738,000).

Pledge of assets

As at 31 March 2020, there was approximately HK$23,636,000 restricted bank balances. As of 31 March 2020, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant and equipment with book value of approximately HK$25,880,000 (FY2019: HK$104,963,000) and inventories with book value of approximately HK$13,041,000 (FY2019: HK$15,890,000).

Capital commitments and contingent liabilities

Save as disclosed in note 10, the Group did not have any material capital commitment as at 31 March 2020.

As at 31 March 2020, the Group did not have any material 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. The USD against RMB remained stable during the Review Period. In addition, the Group's sales in Mainland China 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 its cost was settled mainly in Euro, UAH and PLN. As at the date of this report, the Group has no hedging policy (such as using any financial instrument) with respect to foreign exchange exposure.

Significant investments and acquisitions

Save as disclosed in this announcement, the Group did not have any significant investment or material acquisitions or disposals of subsidiaries, associates or joint ventures during the FY2020. The Group continues to seek opportunities to acquire furniture companies to benefit the development of the Group.

Human Resources

As at 31 March 2020, the Group had 22,041 employees (31 March 2019: 19,179 employees). The increase of number of employees are mainly resulted from the expansion of Vietnam factory during the Review Period.

The Group firmly believes that staff is its 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 operation efficiency. By 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 FY2020, the total staff cost for the Group amounted to approximately HK$1,729,151,000 (FY2019: approximately HK$1,627,415,000), of which approximately HK$15,905,000 (FY2019: approximately HK$15,994,000) 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 FY2020, the Company repurchased a total of 33,003,600 ordinary shares of the Company at an aggregate purchase price of approximately HK$154,140,294.8 (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	Price per ordinary share		Aggregate purchase price
		Highest	Lowest	
		(HK$)	*(HK$)*	*(approx. HK$'000)*
September 2019	10,450,800	4.80	3.73	47,892
January 2020	5,536,800	6.53	5.41	32,483
March 2020	17,016,000	4.72	3.87	73,766
Total	33,003,600			154,141

All repurchased ordinary shares had been 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 2019, 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.

Future Plans and Prospects

The Group will continue to strengthen its core competitiveness and branding in recliner sofa and maintain its leading position in the industry. It keeps increasing the supply of components for production through its subsidiaries to lower product costs. Meanwhile, it further improves the innovation and intelligent automation of iron frames and motors with an aim to further increase the Company's core competitiveness.

Also through the upgrading of core components, we will continue to create more suitable recliner sofa products for consumers. With recliner sofas as our main business, we have continuously expanded this portfolio to include categories such as non-recliner sofas, mattresses, and smart electric beds. We have a line of high-end, mid-range, and low-end products to meet the needs of a broad range of consumers.

With the increased penetration of recliner sofas in the Chinese market, we believe that China's recliner sofa market has great potential. Sales methods such as new retail and live streaming have also helped to enhance the shopping experience, increase exposure and convert some shoppers into buyers for large household consumer products. In terms of new retail, the Group built an online platform as early as in 2015. With an eye on the development trend of the consumer market, it keeps building a new retail network, developing its people and upgrading its products. At the same time, the Group continuously improve product updates and customer experience at offline stores to facilitate online and offline integration in the new era of competition. In the coming few years, the Group will combine its advantages in products, brands and channels to push its recliner sofa market share even higher.

Our North American market has been tested by the trade war and COVID-19. The transfer of certain production from China to the Vietnam factory has helped to minimize the impact of the uncertainty caused by the trade war and develop the core competitiveness of shipments from this foreign factory. Once the COVID-19 epidemic is coming to an end and the global economy is recovering, the North American recliner sofa market will gradually pick up and the Group will maintain its competitiveness in the North America market.

As for European and other overseas markets, we will provide more diversified and competitive products, proactively identify and develop more new customers, and sustain steady growth in these markets.

Important events after the Review Period

For the year ended 31 March 2020, the operating results of the Group has been affected by the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020. A series of precautionary and control measures have been and continued to be implemented across mainland China, including certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

Following to the spread of COVID-19 subsequent to year end to other locations, including but not limited to Vietnam, Europe, United States and Australia, management has also taken relevant actions to minimise the unfavourable impact. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

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 four independent non-executive Directors, namely Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Ding Yuan and Mr. Kan Chung Nin, Tony. 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 2020.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 3 July 2020, will be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 3 July 2020 (the "AGM"). The transfer books and register of members will be closed from Tuesday, 30 June 2020 to Friday, 3 July 2020 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, 26 June 2020. 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, 13 July 2020, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Thursday, 9 July 2020 to Monday, 13 July 2020 (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, 8 July 2020. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) will be payable on Thursday, 24 July 2020 to Shareholders whose name appear on the register of members of the Company on Monday, 13 July 2020.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

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 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the FY2020. The work performed by Messrs. PricewaterhouseCoopers 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. PricewaterhouseCoopers on this announcement.

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

Hong Kong, 15 May 2020

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 Ms. Yang Huiyan; 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.