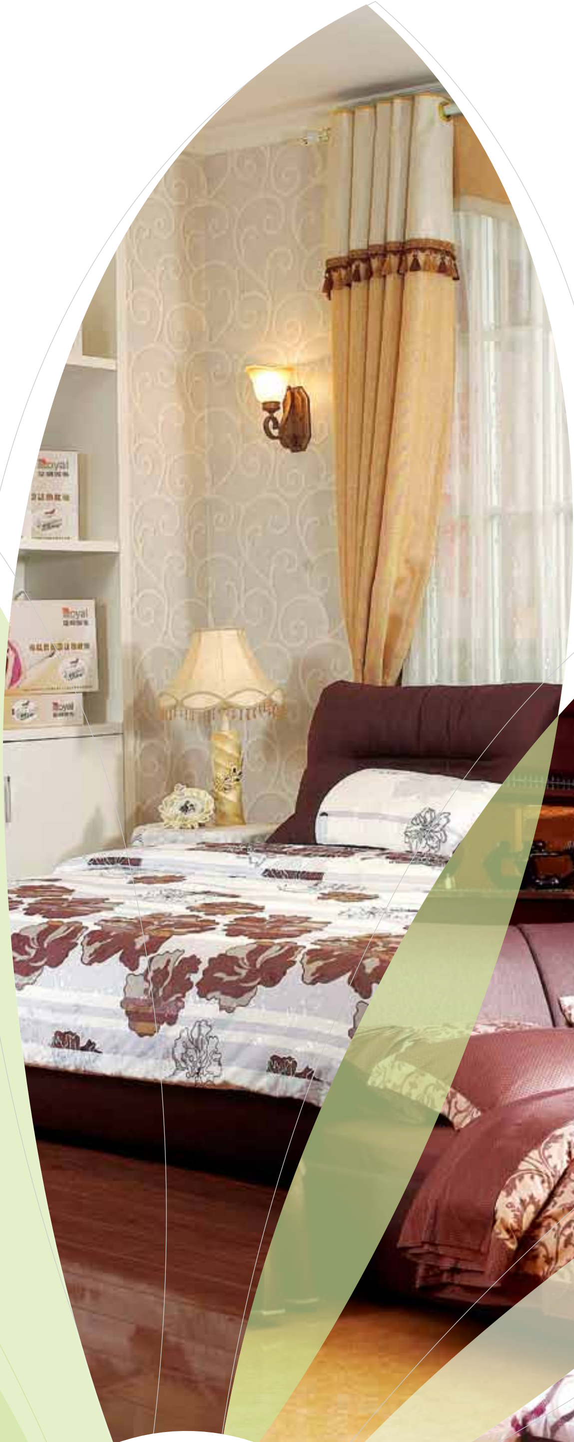
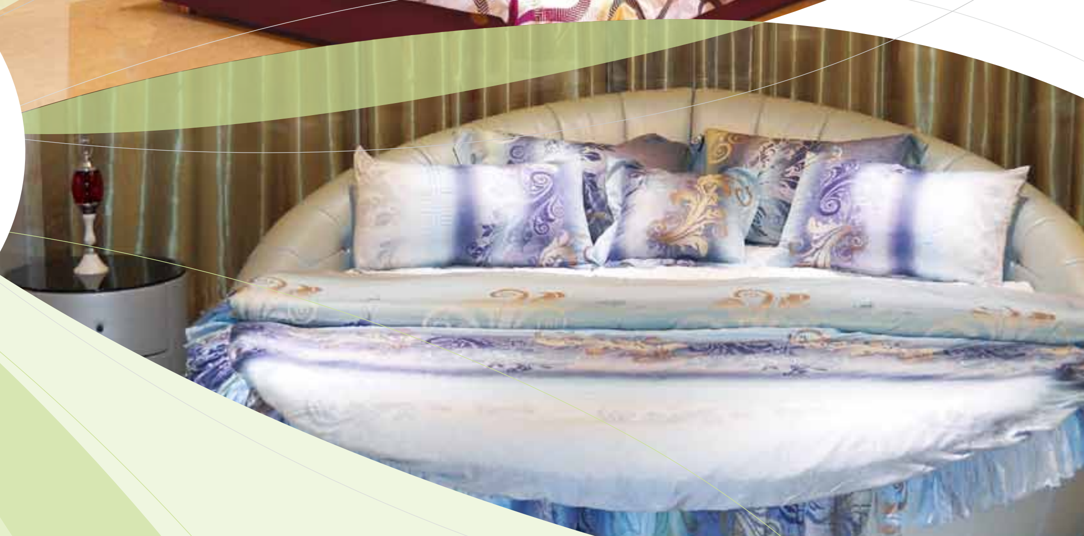
JIA MENG HOLDINGS LIMITED
家夢控股有限公司

(a company incorporated in the Cayman Islands with limited liability)

Stock Code: 8101





Annual report

2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and Expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Jia Meng Holdings Limited (the "Company") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

CONTENTS

CORPORATE INFORMATION

PRC OFFICE

Min Ying Industrial Zone, Shitan,
Zeng Cheng, Guangdong, the PRC

HONG KONG OFFICE

Unit D, 23/F , Infotech Centre,
21 Hung To Road, Kwun Tong, Kowloon,
Hong Kong

WEBSITE

www.jmbedding.com

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Woon Mo, William *(Chairman)*
Mr. Chan Wing Kit *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Ng Yat Cheung, JP
Mr. Chan Wai Cheung, Admiral
Mr. Zhu Xiaobing

AUTHORISED REPRESENTATIVES

Mr. Chan Wing Kit
Mr. Chui See Lai

COMPANY SECRETARY

Mr. Chui See Lai

COMPLIANCE OFFICER

Mr. Chui See Lai

AUDIT COMMITTEE

Mr. Chan Wai Cheung, Admiral *(Chairman)*
Mr. Ng Yat Cheung, JP
Mr. Zhu Xiaobing

NOMINATION COMMITTEE

Mr. Zhu Xiaobing *(Chairman)*
Mr. Ng Yat Cheung, JP
Mr. Chan Wai Cheung, Admiral

REMUNERATION COMMITTEE

Mr. Ng Yat Cheung, JP *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Zhu Xiaobing

COMPLIANCE ADVISER

Kingsway Capital Limited
7th Floor, Tower One, Lippo Centre
89 Queensway, Hong Kong

AUDITOR

BDO LIMITED

LEGAL ADVISER

DLA Piper Hong Kong

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Construction Bank of China

STOCK CODE

8101

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Directors") (the "Board"), I am pleased to present the annual results of Jia Meng Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2014.

The Company was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 15 October 2013. The successful listing represented a milestone of the Group that it has not only provided us a platform in the capital markets for our business, but also facilitated us to further promote our corporate image in the market.

BUSINESS REVIEW

During the year ended 31 March 2014, although the global economy and overseas markets were improving at a slow pace, we achieved satisfactory growth of sales in overseas markets by attracting new customers from the exhibitions and our better relationship with our existing customers.

In the market of the People's Republic of China (the "PRC"), we have actively expanded our sales channel by increasing the number of domestic customers and have allocated more resources to the research and development of new products in response to changes in market preferences.

OUTLOOK AND FUTURE PROSPECTS

Although the worldwide markets are getting more competitive and facing challenging operating environment, it is expected the growth in the overseas markets will slowly recover by the United States and European economy encourage stimulate policies. The Group will try its best to capture the benefits from such recovery.

For the PRC market, the Chinese government has implemented restrictive policies in the property sector. As a result, the furniture industry has been impacted by such policies. In addition, the Chinese consumption market is getting worsened in the short term. However, it is expected that the domestic market will stabilise in the long run and the Group will continue to expand its sales channels for its mattress and soft bedding products.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to the management team and all staff for their hard work and dedication in the past years. Likewise, I would also like to express my sincere gratitude to our shareholders, customers and business partners for their continuous support.

Yours faithfully
Tse Woon Mo, William
Chairman

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2014 (2013: Nil).

INDUSTRY REVIEW

Although the Group was able to make a slight increment in turnover for the year ended 31 March 2014, it was a challenging year for the Group. The gross profit margin decreased by 1.6 percentage points because of increasing intense competition in the market. As the demand was adversely affected by the poor market sentiment and the struggling economy environment, the competition in the market was keen and most of the market players were taking different measures to survive.

BUSINESS REVIEW

During the year ended 31 March 2014, our extensive local sales network consists of over 100 domestic customers, covering various major cities including Hunan, Hubei, Shandong, Guangdong and Jiangsu etc. The Group was taking different measures to further expand the sales network and such expansion was surely helpful in increasing the Group's brand awareness. Besides, the Group was determined to maintain a better relationship with its customers especially those VIP customers to whom we offer a better credit terms. In addition to providing quality products, the Group offers a complete guidance on decoration, operation and marketing strategies to the domestic retailers. During the year, the Group participated in International Famous Furniture Fair (Dongguan) (國際名傢俱(東莞)展覽會) in September 2013 and March 2014 for soliciting new domestic customers.

As an OEM products provider, the Group has sold its products to Australia, New Zealand, the United States, Romania, Germany, and Hong Kong etc. The Group was determined to establish a long term relationship with its overseas customers. It actively captured new overseas customers through participating in domestic and overseas trade fairs namely China International Furniture Fair (Guangzhou) (中國(廣州)國際傢俱博覽會), China International Furniture Expo (中國國際傢俱展覽會) in Shanghai and IMM Trade Fair (Cologne, Germany) in which the major target customers were from overseas. During the year, the Group had transactions with over 40 overseas customers.

Product Development and Design

The Group has placed strong emphasis on innovative designs and developing new products so as to maintain our competitive edges. The Group maintained two separate mattress and soft bed design teams to design products that meet the prevailing tastes and preferences of the consumers. During the year, the Group has spent approximately HK$4.4 million on research and development.

Both mattress and soft bed design teams were separately led by two chief designers both of whom had over ten years of experience in the relevant fields. For mattress design, the focus lies in the experimental use of new raw materials aiming to achieve value for money while maintaining product quality. During the year, our design team has developed different models and designs to meet overseas clients' requirements and local customers' needs. For soft bed design, the research and development team studied the prevailing market trend and feedbacks through discussion with the sales and marketing team and its participation in trade fairs. During the year, our soft bed team has designed over 25 soft bedding products.

FINANCIAL REVIEW

Turnover

The turnover of the Group for the year ended 31 March 2014 was approximately HK$133.0 million, representing an increase of approximately 4.0% as compared to the financial year of 2013. The increase in turnover was mainly due to our effort in emphasising sales of soft beds and mattresses in domestic markets and the increasing demand of mattresses from the overseas markets.

Gross profit

The Group achieved an overall gross profit of approximately HK$36.2 million, representing a decrease of approximately HK$0.7 million as compared to the financial year of 2013 which was mainly due to increase in the cost of raw materials and cost of direct labour.

Gross profit margin

Gross profit margin for the financial year of 2014 decreased to 27.3% from 28.9% recorded in the financial year of 2013. The slight decrease in gross profit margin was mainly due to increased demand of mattresses from our overseas customers which carry a lower profit margin compared with domestic sales of mattress and the increase in the cost of raw materials and cost of direct labour as mentioned above.

Other income

The other income of the Group comprised of interest income, gain on disposal of property, plant and equipment and sundry income. The decrease of other income from approximately HK$0.5 million in the financial year of 2013 to approximately HK$0.3 million in the financial year of 2014 was mainly because HK$0.2 million non-recurring rental income from investment properties was generated in the financial year of 2013.

Administrative expenses

The administrative expenses of the Group is primarily comprised of expenses incurred for the listing, staff costs and social insurance cost. For the financial year ended 31 March 2014, the Group's administrative expenses increased to approximately HK$15.7 million compared to approximately HK$9.2 million for the financial year 2013, representing an increase of approximately 70.5%. The increase was mainly attributed to listing expenses incurred of approximately HK$5.8 million (2013: HK$3.7 million) and increase in salaries for Directors and administrative staff.

Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2014 were approximately HK$7.4 million (2013: HK$6.9 million). Increase in selling and distribution expenses was mainly due to increase in exhibition expenses, salaries and custom duties.

Income tax expense

Income tax expense decreased from approximately HK$6.8 million in the financial year of 2013 to approximately HK$4.5 million in the financial year of 2014, which was mainly due to decrease of withholding tax, arising from dividend paid by the Group's subsidiary in the PRC to its subsidiary in Hong Kong, from approximately HK$1.2 million in 2013 to nil in 2014 and the decrease in profit before income tax of the Group.

Profit for the year

As a result of the foregoing factors, profit for the year ended 31 March 2014 decreased to HK$4.6 million from HK$10.6 million in the financial year of 2013, and net profit margin decreased from 8.3% for the year ended 31 March 2013 to 3.5% for the year ended 31 March 2014. Basic earnings per share amounted to HK cents 1.35 for the year ended 31 March 2014 (2013: HK cents 3.74).

Trade and other receivables

Trade and other receivables increased to approximately HK$60.1 million as at 31 March 2014 from approximately HK$35.5 million as at 31 March 2013 which was mainly due to the increase in trade receivables and advances to suppliers.

Trade and other payables

Trade and other payables decreased to approximately HK$25.4 million as at 31 March 2014 from approximately HK$30.0 million as at 31 March 2013 which was mainly because more suppliers requested for deposits to be paid in advance for purchase of raw materials and led to a decrease in trade payables.

BUSINESS OBJECTIVES

Comparison of Business Objectives with Actual Business Progress :

The following sets out a comparison of the business objectives as stated in the prospectus (the "Prospectus") of the Company dated 30 September 2013 with the Group's actual business progress for the period from 1 October 2013 to 31 March 2014:

Business objectives as set out in the Prospectus	Actual progress up to 31 March 2014
Strengthening product design and development	During the period under review, we have spent HK$1.8 million funded out of our internal resources on research and development. Our research and development team has studied the market preferences and trends in the PRC soft bed and mattress markets based on information gathered from the market and online sources and has performed preliminary assessment in respect of the target markets.
Capitalising on growth opportunity in our mattress export business (note)	During the period under review, the Group participated in various exhibitions in order to enhance the Group's profile and awareness. The Group has attended China International Furniture Fair (Guangzhou) (中國(廣州)國際傢俱博覽會) and IMM Trade fair (Cologne, Germany) to explore new customers.
Increasing our brand awareness through trade fairs in the PRC (note)	We have been increasing our brand awareness through expanding our sales network and providing guidance on decoration, operation and marketing to our domestic customers in order to maintain our brand images. We have been actively seeking advice from brand design consultants to help refining our brand image and positioning. During the period under review, we have attended International Famous Furniture Fair (Dongguan) in March 2014.

Expanding our retail network in the PRC (note)	During the period under review, we have had transactions with over 40 new domestic customers which mainly covered second-tier cities.
Constructing a new production facility to expand our geographic reach (note)	The Group entered into non-legally binding memorandum of understandings ("MOU") with Tianjin Fada Zao Zhi Co., Ltd for lease of production facilities in July 2013. After reviewing the domestic and overseas markets condition, the Group has decided to delay the lease of production facilities after the MOU lapsed. The Group would continue to review the market condition from time to time and seek the location for constructing production plant when the markets improve.

Note: All expenses incurred have been funded out of our internal resources.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company raised its fund by way of a placing of 30,000,000 shares of the Company at the placing price of HK$1.15 per share on 15 October 2013. Net proceeds from the placing of shares amounted to approximately HK$13.4 million (after deducting the placing commission and legal and professional expenses). As at 31 March 2014, the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. Such net proceeds have been used in the following manner:

	Net proceeds (HK$ in million)	**Approximate amount of net proceeds utilised up to 31 March 2014** (HK$ in million)	**Approximate amount of net proceeds unutilised up to 31 March 2014** (HK$ in million)
Participate in overseas trade fairs	3.2	—	3.2
Production design, research and development and hire of new designer	2.4	—	2.4
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2.0	—	2.0
Construct new production facility	4.6	—	4.6
General working capital	1.2	1.2	—
Total	13.4	1.2	12.2

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2014, the Group maintained cash and cash equivalents amounted to HK$37.5 million (2013: HK$38.3 million). Net current assets increased from approximately HK$37.3 million in 2013 to approximately HK$74.1 million in 2014 which was mainly due to increase of trade receivables and decrease in amounts due to related parties.

CAPITAL STRUCTURE

During the year under review, the capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

Our Group has foreign currency risks. Such risks mainly arise from the balance of assets and liabilities and transactions in currencies other than the respective functional currencies of our Company and its subsidiaries. Currently, the Group does not maintain any hedging policy with respect to these foreign currency risks.

GEARING RATIO

The gearing ratio calculated as total bank borrowings divided by total assets was nil as at 31 March 2013 and 2014 as the Group had no bank borrowings at those dates.

CAPITAL COMMITMENTS

As at 31 March 2014, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there was no specific plan for material investments or capital assets as at 31 March 2014.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year ended 31 March 2014, there were no significant investment, material acquisitions and disposal of subsidiaries by the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group engaged a total of 133 employees (2013: 137). Total staff costs including Directors' remuneration for the financial year of 2014 amounted to approximately HK$11.8 million (2013: HK$10.3 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme in accordance with the rules of the central pension scheme.

EVENTS AFTER THE REPORTING PERIOD

At 3 June 2014, the Group have subdivided every 1 ordinary shares of HK$0.1 each in the share capital of the Company into 4 subdivided ordinary shares of HK$0.025 each.

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("GEM Listing Rules"). During the financial year ended 31 March 2014, the Company has complied with the applicable code provisions (the "Code Provisions") of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

For day-to-day management, administration and operation of the Company are delegated to the executive Directors and the independent non-executive Directors are responsible for participating in Board meetings of the Company to take the lead where potential conflicts of interest arise and serving on the audit, remuneration and other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board Composition

The Directors of the Company during the year ended 31 March 2014 were:

Executive Directors:

Mr. Tse Woon Mo, William *(Chairman) (appointed on 26 September 2013)*
Mr. Chan Wing Kit *(Chief Executive Officer) (appointed on 26 September 2013)*

Independent non-executive Directors:

Mr. Chan Wai Cheung, Admiral *(appointed on 26 September 2013)*
Mr. Ng Yat Cheung *(appointed on 26 September 2013)*
Mr. Zhu Xiaobing *(appointed on 26 September 2013)*

The Board members have no financial, business, family or other material/relevant relationships with each other.

As at 31 March 2014, the Board consisted of a total of five members, including two executive Directors and three independent non-executive Directors. A description of the Directors is set out in the section headed "Board of Directors and Senior Management Profiles" on page 23 in this annual report.

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Other Board meetings will be held when necessary.

During the year ended 31 March 2014, 4 Board meetings, 3 audit committee ("Audit Committee") meetings, 1 remuneration committee ("Remuneration Committee") meeting and 1 nomination committee ("Nomination Committee") meeting were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/Number of meetings			
Name of Directors	**Board meeting**	**Audit committee**	**Remuneration committee**	**Nomination committee**
Executive Directors				
Mr. Tse Woon Mo, William	4/4	—	—	—
Mr. Chan Wing Kit	4/4	—	—	—
Independent non-executive Directors				
Mr. Chan Wai Cheung, Admiral	4/4	3/3	1/1	1/1
Mr. Ng Yat Cheung	4/4	3/3	1/1	1/1
Mr. Zhu Xiaobing	4/4	3/3	1/1	1/1

The company secretary ("Company Secretary") attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 26 September 2013 with written terms of reference in compliance with paragraph C3.3 of the CG Code. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three independent non-executive Directors, namely Chan Wai Cheung, Admiral, Ng Yat Cheung and Zhu Xiaobing. Chan Wai Cheung, Admiral is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors, review quarterly report of the compliance department's findings, meets with external auditor regularly and provide advices and comments to the Directors.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2014.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2014 and no material non-compliance issue has been identified.

Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "**Number of Meetings and Directors' Attendance**" on page 11 in this annual report.

Remuneration Committee

The Company established the Remuneration Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Chan Wai Cheung, Admiral, Ng Yat Cheung and Zhu Xiaobing. Ng Yat Cheung is the chairman of the Remuneration Committee.

The Remuneration Committee adopted written terms of reference in compliance with paragraph B1.3 of the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review and approve the management's remuneration proposals, and ensure none of our Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Details of the remuneration of the Directors and the five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 12 to the consolidated financial statements.

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "**Number of Meetings and Directors' Attendance**" on page 11 in this annual report.

Senior management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 March 2014 falls within the following bands:

	Number of individuals
Nil to HK$1,000,000	3

Nomination Committee

The Company established the Nomination Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Chan Wai Cheung, Admiral, Ng Yat Cheung and Zhu Xiaobing. Zhu Xiaobing is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the nomination committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but not limited to the age, gender, professional experience, cultural and education background when comprising the Board. The Nomination Committee regularly monitors and reviews the implementation of the board diversity policy.

Details of the number of Nomination Committee meeting held and Directors attendance are set out in the section headed "**Number of Meetings and Directors' Attendance**" on page 11 in this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the CG Code Provision D.3.1.

The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, the compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 March 2014 and up to the date of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting will be held on 22 August 2014.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) Procedures for putting forward proposals at a shareholders' meeting

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the articles of association of the Company. However, shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above. Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2014 is set out as follows:

Services rendered	**2014** **HK$'000**
Statutory audit services	**650**
Non-statutory audit services:	
Reporting accountant in relation to the listing	**936**

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Group. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (http://www.jmbedding.com) has provided an effective communication platform to the public and the shareholders.

During the year ended 31 March 2014, there had been no significant change in the Company's constitutional documents.

Company Secretary

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

During the year ended 31 March 2014, the Company Secretary had confirmed that he had taken no less than 15 hours of relevant professional training.

REPORT OF THE DIRECTORS

The Directors of the Company present their report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2014.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 26 July 2012.

The companies now comprising the Group underwent a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History and Corporate Structure" to the Prospectus.

The shares of the Company were listed on the GEM of the Stock Exchange with effect from 15 October 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 63.

No interim and final dividend was declared and paid during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the past three financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 64. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

BANK BORROWINGS

The Group did not have any bank borrowings as at 31 March 2014.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company's reserves, calculated in accordance with the provisions of the Cayman Islands' legislation, amounted to approximately HK$64.1 million (2013: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 March 2014.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Tse Woon Mo, William *(Chairman) (appointed on 26 September 2013)*
Mr. Chan Wing Kit *(Chief Executive Officer) (appointed on 26 September 2013)*

Independent non-executive Directors

Mr. Chan Wai Cheung, Admiral *(appointed on 26 September 2013)*
Mr. Ng Yat Cheung *(appointed on 26 September 2013)*
Mr. Zhu Xiaobing *(appointed on 26 September 2013)*

In accordance with article 84 of the Company's articles of association, one-third of the Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Details of the Directors to be retired and offered for re-election at the forthcoming annual general meeting are contained in the circular to be despatched to the shareholders of the Company.

Confirmation of Independence

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

In accordance with the articles of association of the Company, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the nearest to but not less than one-third shall retire from the office and, being eligible, will offer themselves for re-election, at the forthcoming annual general meeting of the Company.

The service contracts between the Company and executive Directors and independent non-executive Directors are for a term of three years, which commenced on 1 October 2013. Their terms of office are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions" none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SIGNIFICANT CONTRACTS

During the year ended 31 March 2014, the Group had certain transactions with its related parties. Details of these transactions are set out in note 29 to the financial statements. There was no other contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of their subsidiaries subsisting during or at the end of the year.

COMPETING INTERESTS

None of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

NEW BUSINESS OPPORTUNITY

There was no new business opportunity (as defined in the section headed "Relationship with Controlling Shareholders and Royale — Non-competition Undertakings" in the Prospectus) referred by the covenantor controlling shareholders to the Company as provided under the non-competition undertakings.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and chief executives' interests and short positions in the shares of the Company

As at 31 March 2014, save as disclosed below, none of the Directors and chief executive has any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors of listed issuers.

Long positions in shares

Name of Directors	Nature of interest	Number of shares	Percentage of shareholding (%)
Mr. Tse Woon Mo, William (Note 1)	Interest of a controlled corporation	38,500,000 (long position)	38.50%
Mr. Chan Wing Kit (Note 2)	Interest of a controlled corporation	700,000 (long position)	0.70%

Note 1: Platinum Tools Trading Limited ("Platinum Tools") is beneficially owned as to 56.36% by Mr. Tse Woon Mo, William. Accordingly, Mr. Tse Woon Mo, William is deemed to be interested in the 38,500,000 shares of the Company held by Platinum Tools by virtue of the SFO.

Note 2: The entire issued share capital of World Partner Development Limited is beneficially owned by Mr. Chan Wing Kit. Accordingly, Mr. Chan Wing Kit is deemed to be interested in the 700,000 shares of the Company held by World Partner Development Limited by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at 31 March 2014, the following persons had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Capacity	Number of shares held	Percentage of shareholding (%)
Platinum Tools (Note 1)	Beneficial owner	38,500,000 (long position)	38.50%
Mr. Tse Woon Mo, William (Note 1)	Interest of a controlled corporation	38,500,000 (long position)	38.50%
Mr. Yim Yin Nang (Note 1)	Interest of a controlled corporation	38,500,000 (long position)	38.50%
Hong Kong Royal Furniture Holding Limited ("HK Royal Furniture") (Note 2)	Beneficial owner	26,600,000 (long position)	26.60%
Chitaly (BVI) Limited ("Chitaly") (Note 2)	Interest of a controlled corporation	26,600,000 (long position)	26.60%
Royale Furniture Holdings Limited ("Royale") (Note 2)	Interest of a controlled corporation	26,600,000 (long position)	26.60%
Chow Koon Mei	Beneficial owner	5,022,000 (long position)	5.02%

Note:

1. Platinum Tools is beneficially owned as to 56.36% by Mr. Tse Woon Mo, William and 43.64% by Mr. Yim Yin Nang. Mr. Tse Woon Mo, William and Mr. Yim Yin Nang are parties acting in concert. Accordingly, Mr. Tse Woon Mo, William and Mr. Yim Yin Nang are deemed to be interested in the 38,500,000 shares of the Company held by Platinum Tools under the SFO.

2. HK Royal Furniture is wholly owned by Chitaly, which is in turn wholly owned by Royale. Accordingly, Chitaly and Royale are deemed to be interested in the 26,600,000 shares of the Company held by HK Royal Furniture under the SFO.

Save as disclosed above, as at 31 March 2014, the Directors are not aware of any other person (other than the Directors) who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

INTERESTS OF THE COMPLIANCE ADVISERS

As notified by Kingsway Capital Limited, the Company's compliance adviser, neither Kingsway Capital Limited nor its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) as at 31 March 2014.

Pursuant to the agreement dated 27 September 2013 entered into between Kingsway Capital Limited and the Company, Kingsway Capital Limited received and will receive fees for acting as the Company's compliance adviser.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2014, the aggregate amount of turnover attribute to the Group's largest and the five largest customers accounted for 8.6% and 25.4% (2013: 4.7% and 19.5%) of the total value of the Group's revenue, respectively. The Group's purchase from the largest and the five largest suppliers accounted for 17.3% and 45.7% (2013: 17.8% and 49.5%) of the total value of the Group's purchases, respectively. At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in major customers or suppliers.

RELATED PARTY TRANSACTIONS

The Directors are not aware of any connected transactions of the Group that shall be disclosed in this annual report under the GEM Listing Rules. Details of significant related party transactions entered into by the Group in the normal course of business during the year ended 31 March 2014 are set out in note 29 to the financial statements. The disclosed related party transactions with HK Royal Furniture, 萬利寶(廣州)傢俱有限公司 (Wanlibao (Guangzhou) Furniture Company Limited) and 廣州裕發傢俱有限公司 (Guangzhou Yufa Furniture Company Limited) fall within the definition of "continuing connected transaction" in Chapiter 20 of the GEM Listing Rules, but are exempted from the reporting, annual review, announcement and independent shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 10 to 15.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, up to the date of this annual report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the Annual General Meeting, the Register of Members will be closed from Wednesday, 20 August 2014 to Friday, 22 August 2014, both days inclusive, during which no transfer of shares of the Company will be effected.

In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 19 August 2014.

AUDITOR

BDO Limited will retire and, being eligible, offer itself for reappointment as auditor of the Company at the forthcoming annual general meeting.

By order of the Board of
Jia Meng Holdings Limited
Tse Woon Mo, William
CHAIRMAN

Hong Kong, 18 June 2014

BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Tse Woon Mo, William (謝煥武), aged 57 , is the Chairman of our Company. He was appointed as an executive Director on 26 September 2013 . Mr. Tse is one of the founders of our Group and is responsible for the overall strategic planning of business development and the supervision of the daily operations of our Company. Mr. Tse has over 25 years of experience in the international trade and China trade business. He is also a director of certain subsidiaries of the Company.

Mr. Chan Wing Kit (陳永傑), aged 42 , is the Chief Executive Officer and an executive Director. He was appointed as an executive Director on 26 September 2013. He is responsible for the export and domestic business and Hong Kong administrative works. Mr. Chan has over 14 years of experience in the furniture industry. He is also a director of certain subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Yat Cheung (吳日章), JP, aged 58 , appointed as an independent non-executive Director on 26 September 2013. Mr. Ng holds an Associate degree in Arts in Business Data Processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property investment and finance. Mr. Ng is also an independent non-executive director of Tao Heung Holdings Limited, China Agri-Products Exchange Limited and VST Holdings Limited, the shares of the companies are listed on the Main Board.

Mr. Zhu Xiaobing (朱曉兵), aged 45, was appointed as an independent non-executive Director on 26 September 2013. He is a member of the Communist Party of China. He graduated from Guangzhou University in 1991, and completed a post-graduate course in English language and e-commerce by distance learning at Tsinghua University's School of Continuing Education (清華大學繼續教育學院) in 2001. His specialty is in the operation of projects in the film and television industry (such as animated cartoon, TV series, and movies). He is now the general manager of Guangzhou Daley Group , which is principally engaged in cartoons, television programmes, movies and advertisements production.

Mr. Chan Wai Cheung, Admiral (陳偉璋), aged 41, was appointed as an independent nonexecutive Director on 26 September 2013. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan Wai Cheung, Admiral is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 15 years of experience in the accounting and auditing field. He is also an director of Energy International Investments Holdings Limited, the shares of which are listed on the Main Board.

Refer to the Prospectus dated 30 September 2013 under the heading of "Directors, Senior Management and Employees", the legal proceeding involved by Energy International Investments Holdings Limited, of which Mr. Chan Wai Cheung, Admiral is the director, has been fully settled on 3 June 2014. Further details of the litigation and the settlement agreement are set out in the announcements of Energy International Investments Holdings Limited dated 5 May 2014 and 3 June 2014.

SENIOR MANAGEMENT

Mr. Zhang Hui Rong (張輝榮), aged 40, is a senior manager of our Group. He is a registered member of the Chinese Sleep Research Society. He joined our Group in 2006 and is responsible for the mattress research , development and manufacturing of our Group. Mr. Zhang has over ten years of experience in the mattress industry.

Mr. Chen Cai Wen, (陳菜文), aged 48, is the head of the soft bed design, research and development team of our Group. He joined our Group in 2006 and has over ten years of experience in soft bedding products design, research and development.

Mr. Chui See Lai (徐思禮), aged 34, was appointed as the financial controller, company secretary and compliance officer of our Group in July 2012. He holds a Bachelor of Arts (Honours) in Accountancy from Hong Kong Polytechnic University. Mr. Chui is a member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of auditing and accounting experience.

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF JIA MENG HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jia Meng Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 63, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 18 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Revenue	8	**132,994**	127,871
Cost of sales		**(96,747)**	(90,928)
Gross profit		**36,247**	36,943
Other income	8	**323**	538
Selling and distribution expenses		**(7,401)**	(6,939)
Administrative expenses		**(15,670)**	(9,191)
Research expenses		**(4,358)**	(3,876)
Finance costs	10	**(5)**	(18)
Profit before income tax	9	**9,136**	17,457
Income tax expense	11	**(4,495)**	(6,840)
Profit for the year		**4,641**	10,617
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of financial statements of foreign operations		**1,172**	263
Total comprehensive income for the year		**5,813**	10,880
Profit for the year attributable to:			
— Owners of the Company		**4,516**	10,469
— Non-controlling interests		**125**	148
		4,641	10,617
Total comprehensive income for the year attributable to:			
— Owners of the Company		**5,672**	10,723
— Non-controlling interests		**141**	157
		5,813	10,880
Earnings per share	15		
— Basic		**HK1.35 cents**	HK3.74 cents
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**9,430**	9,144
Prepaid premium for land leases	17	**8,807**	6,633
Total non-current assets		**18,237**	15,777
Current assets			
Inventories	19	**1,713**	2,344
Trade and other receivables	20	**60,091**	35,538
Amount due from a related party	21	**—**	2,737
Tax receivables		**420**	—
Cash and cash equivalents	22	**37,455**	38,291
Total current assets		**99,679**	78,910
Total assets		**117,916**	94,687
Current liabilities			
Trade and other payables	24	**25,437**	30,035
Amounts due to related parties	25	**172**	10,049
Tax payables		**—**	1,534
Total current liabilities		**25,609**	41,618
Net current assets		**74,070**	37,292
Total assets less current liabilities		**92,307**	53,069
Non-current liabilities			
Deferred tax liabilities	26	**279**	283
Total liabilities		**25,888**	41,901
NET ASSETS		**92,028**	52,786
EQUITY			
Share capital	27	**10,000**	10
Reserves	28	**81,026**	51,915
Equity attributable to owners of the Company		**91,026**	51,925
Non-controlling interests		**1,002**	861
TOTAL EQUITY		**92,028**	52,786

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	18	**52,086**	—
Current assets			
Amount due from a subsidiary	23	**22,987**	—
Total assets		**75,073**	—
Current liabilities			
Accruals and other payables	24	**649**	60
Amount due to a subsidiary	23	**296**	—
Total current liabilities		**945**	60
Net current assets/(liabilities)		**22,042**	(60)
NET ASSETS/(LIABILITIES)		**74,128**	(60)
EQUITY			
Share capital	27	**10,000**	1
Reserves	28	**64,128**	(61)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		**74,128**	(60)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserves	Translation reserves	Retained earnings	Total		
	HK$'000	HK$'000 (note 28(a))	HK$'000 (note 28(b))	HK$'000 (note 28(c))	HK$'000 (note 28(d))	HK$'000 (note 28(e))	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2012	10	—	—	—	3,346	8,801	29,045	41,202	704	41,906
Profit for the year	—	—	—	—	—	—	10,469	10,469	148	10,617
Other comprehensive income — Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	254	—	254	9	263
Total comprehensive income for the year	—	—	—	—	—	254	10,469	10,723	157	10,880
Transfer to statutory reserve	—	—	—	—	1,687	—	(1,687)	—	—	—
At 31 March 2013 and 1 April 2013	10	—	—	—	5,033	9,055	37,827	51,925	861	52,786
Profit for the year	—	—	—	—	—	—	4,516	4,516	125	4,641
Other comprehensive income — Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	1,156	—	1,156	16	1,172
Total comprehensive income for the year	—	—	—	—	—	1,156	4,516	5,672	141	5,813
Transfer to statutory reserve	—	—	—	—	1,371	—	(1,371)	—	—	—
Arising from reorganisation ("Reorganisation") (note 2)	(8)	—	—	8	—	—	—	—	—	—
Issue of ordinary shares by placing (note 27(c))	3,000	31,500	—	—	—	—	—	34,500	—	34,500
Share issue costs	—	(11,278)	—	—	—	—	—	(11,278)	—	(11,278)
Share capitalisation (note 27(d))	6,998	(6,998)	—	—	—	—	—	—	—	—
Capital contribution	—	—	10,207	—	—	—	—	10,207	—	10,207
At 31 March 2014	10,000	13,224	10,207	8	6,404	10,211	40,972	91,026	1,002	92,028

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit before income tax		**9,136**	17,457
Adjustments for:			
Amortisation of prepaid premium for land leases	9	**205**	167
Depreciation of property, plant and equipment	9	**1,251**	1,182
Interest income	8	**(62)**	(109)
Interest expenses	10	**5**	18
Gain on disposal of property, plant and equipment	8	**(78)**	—
Operating profit before working capital changes		**10,457**	18,715
Increase in trade and other receivables		**(23,939)**	(4,913)
Decrease/(increase) in inventories		**673**	(189)
Decrease in amounts due from related parties		**2,788**	13,277
(Decrease)/increase in trade and other payables		**(5,067)**	5,919
(Decrease)/increase in amounts due to related parties		**(40)**	208
Cash (used in)/generated from operations		**(15,128)**	33,017
Income tax paid		**(6,486)**	(5,866)
Net cash (used in)/generated from operating activities		**(21,614)**	27,151
Cash flows from investing activities			
Interest received		**62**	109
Purchases of property, plant and equipment	16	**(1,516)**	(672)
Proceeds from disposal of property, plant and equipment		**214**	—
Additions to prepaid premium for land leases	17	**(2,268)**	—
Net cash used in investing activities		**(3,508)**	(563)
Cash flows from financing activities			
Interest paid		**(5)**	(18)
Proceeds from issue of ordinary shares		**34,500**	—
Share issue costs		**(11,278)**	—
Increase/(decrease) in amounts due to related parties	33	**365**	(15,717)
Drawdown of bank borrowings		**1,261**	177
Repayment of bank borrowings		**(1,261)**	(4,676)
Net cash generated from/(used in) financing activities		**23,582**	(20,234)
Net (decrease)/increase in cash and cash equivalents		**(1,540)**	6,354
Cash and cash equivalents at the beginning of year		**38,291**	32,069
Effect of foreign exchange rates, net		**704**	(132)
Cash and cash equivalents at end of year		**37,455**	38,291
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**37,455**	38,291

1. CORPORATE INFORMATION

Jia Meng Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 26 July 2012. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 October 2013.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the "Group") is located at Min Ying Industrial Zone, Shitan, Zeng Cheng, Guangdong, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

The financial statements for the year ended 31 March 2014 were approved by the board of directors on 18 June 2014.

2. REORGANISATION AND BASIS OF PRESENTATION

The companies now comprising the Group underwent a Reorganisation, details of which are set out in the section headed "History and Corporate Structure" to the prospectus of the Company dated 30 September 2013, to rationalise the Group's structure in preparation for the listing of the shares of the Company on the GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 26 September 2013. As the Reorganisation only involved inserting a new holding entity at the top of existing holding company and has not resulted in any change of economic substances, the consolidated financial statements of the Group have been presented as a continuance of the existing group using the merger accounting.

Accordingly, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 March 2013 and 2014 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation/establishment or acquisition, whichever was shorter, as if the current group structure had been in existence throughout the years. The consolidated statements of financial position of the Group as of 31 March 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

3. BASIS OF PREPARATION *(Continued)*

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company.

4. ADOPTION OF NEW AND REVISED STANDARDS

4.1 New and revised standards adopted by the Group

In the current year, the Group has applied for the first time the following new and revised HKFRSs which are relevant to and effective for the Group's financial statements for the annual period on 1 April 2013.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements

Except as explained below, the adoption of these new and revised standards has no material impact on the Group's financial statements.

HKFRSs (Amendments) — Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 March 2014. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

4. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

4.1 New and revised standards adopted by the Group *(Continued)*

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 5.2).

The adoption of the standard does not change the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 — Disclosures of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

4. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

4.1 New and revised standards adopted by the Group *(Continued)*

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

4.2 New or revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
HKFRS 9	Financial Instruments
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and revised HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and revised HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

4. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

4.2 New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKAS 36 — Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or cash generating units has been determined based on fair value less costs of disposal.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year, except for those which are accounted for using the merger basis of accounting as set out in note 2, are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

5.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates used for calculating depreciation are as follows:

Buildings	The shorter of lease terms and 4.5%
Plant and machinery	9%
Office equipment	18%
Motor vehicles	18%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

5.4 Prepaid premium for land leases

Prepaid premium for land leases represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

5.5 Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Leasing

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. The details of recognition of rental income for the Group as lessor were set out below in note 5.9(ii) below.

5.7 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;
— a breach of contract, such as a default or delinquency in interest or principal payments;
— granting concession to a debtor because of debtor's financial difficulty; and
— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost including trade payables, other payables, accruals and amounts due to related parties and subsidiary are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

5.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.9 Revenue and other income recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.

(ii) Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(iii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

5.10 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.10 Income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.11 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.12 Employee benefits

Defined contribution retirement plan

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Group's subsidiary which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. That subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Other employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

5.13 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, prepaid premium for land leases and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.14 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.15 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.16 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.16 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply: *(Continued)*

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

(ii) Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis with 10% savage value, over the estimated useful lives of five to twenty years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Inventory provision

The management of the Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

7. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacture and sale of mattress and soft bed products.

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers. The Group's non-current assets are situated in the PRC.

	2014 **HK$'000**	2013 HK$'000
Revenue from external customers		
PRC	**80,015**	84,654
Other countries	**52,979**	43,217
	132,994	127,871

(c) Information about a major customer

No single customer accumulated more than 10% of the Group's revenue.

8. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities, which is also the Group's turnover, represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2014	2013
	HK$'000	HK$'000
Revenue		
Sales of goods	**132,994**	127,871
Other income		
Interest income	**62**	109
Rental income from investment properties	**—**	229
Gain on disposal of property, plant and equipment	**78**	—
Sundry income	**183**	200
	323	538

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2014	2013
	HK$'000	HK$'000
Auditor's remuneration	**650**	57
Cost of inventories recognised as expenses	**96,747**	90,928
Listing expenses (including professional fees and other expenses)	**5,829**	3,718
Depreciation of property, plant and equipment	**1,251**	1,182
Amortisation of prepaid premium for land leases	**205**	167
Operating lease charges on rented premises	**442**	357
Net foreign exchange loss	**187**	355
Staff costs (including directors' remuneration):		
— Wages, salaries and bonus	**11,111**	9,633
— Contribution to defined contribution plans	**711**	644
	11,822	10,277

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest of bank borrowings repayable within one year	**5**	18

11. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax — PRC	**4,504**	6,854
Deferred tax current year	**(9)**	(14)
Income tax expense	**4,495**	6,840

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No Hong Kong profits tax was provided as the Group did not have assessable profit arising or derived from Hong Kong during the year (2013: Nil).

Enterprise income tax arising from subsidiary operated in the PRC for the year was calculated at 25% (2013: 25%) of the estimated assessable profits during the year.

During the year ended 31 March 2013, 廣東家夢健康寢具股份有限公司 (Guangdong Jia Meng Health Bedding Co., Ltd. *) ("Guangdong Jia Meng"), a subsidiary of the Group in the PRC, paid out a dividend to Grandeur Industries Limited ("Grandeur"), a subsidiary of the Group in Hong Kong, and incurred payments of withholding tax amounted to HK$1,227,000.

* The English name is for identification only

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**9,136**	17,457
Tax on profit at applicable tax rates	**3,071**	4,760
Effect of expenses not deductible for tax purpose	**1,369**	773
PRC withholding tax	**—**	1,227
Others	**55**	80
Income tax expense for the year	**4,495**	6,840

Deferred tax liabilities as at 31 March 2014 have not been established for the withholding tax and other taxation that would be payable on the unremitted earnings of a subsidiary of approximately HK$32,461,000 (2013: HK$20,529,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such differences will not reverse in the foreseeable future.

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

The aggregate amount of remuneration paid and payable to the current directors of the Company as at the date of this report during the year is as follows:

	Fees	Salaries, allowance and benefits in kind	Pension contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2014				
Executive directors:				
Mr. Tse Woon Mo, William	120	886	—	1,006
Mr. Chan Wing Kit	150	527	3	680
Independent non-executive directors:				
Mr. Ng Yat Cheung	75	—	—	75
Mr. Zhu Xiaobing	75	—	—	75
Mr. Chan Wai Cheung, Admiral	75	—	—	75
	495	1,413	3	1,911

	Fees	Salaries, allowance and benefits in kind	Pension contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2013				
Executive directors:				
Mr. Tse Woon Mo, William	—	369	—	369
Mr. Chan Wing Kit	—	—	—	—
Independent non-executive directors:				
Mr. Ng Yat Cheung	—	—	—	—
Mr. Zhu Xiaobing	—	—	—	—
Mr. Chan Wai Cheung, Admiral	—	—	—	—
	—	369	—	369

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

Five highest paid individuals

The five highest paid individuals consisted of 2 (2013: 1) directors of the Company for the year ended 31 March 2014. Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2013:4) highest paid individuals for the year ended 31 March 2014 are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**727**	616
Retirement benefits — defined contribution plans	**75**	71
Total	**802**	687

The remuneration paid to each of the above five highest paid individuals for each of the year fell within the following bands:

	Number of individuals	
	2014	2013
Nil-HK$1,000,000	**4**	5
HK$1,000,001-HK$1,500,000	**1**	—

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2013: Nil).

13. DIVIDENDS

No dividend has been declared by the Company during the year (2013: Nil).

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes a loss of approximately HK$1,120,000 (2013: HK$61,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year attributable to the owners of the Company of approximately HK$4,516,000 (2013: HK$10,469,000) and the weighted average of approximately 335,233,000 (2013: 280,000,000) shares in issue during the year.

The number of shares used to calculate the basic earnings per share for the year ended 31 March 2013 represents the number of shares of the Company immediately after the Reorganisation and the capitalisation issue (note 27(d)), but excluding any shares issued pursuant to the placing (note 27(c)), as if the shares had been in issue throughout the year and has been adjusted as a result of the share subdivision ("Share Subdivision") (note 34).

15. EARNINGS PER SHARE *(Continued)*

The weighted average number of shares, after the adjustment on Share Subdivision, used to calculate the basic earnings per share for the year ended 31 March 2014 includes the weighted average of approximately 55,233,000 shares issued upon the placing, in addition to the aforementioned 280,000,000 shares used in the calculation of basic earnings per share for the year ended 31 March 2013.

No diluted earnings per share is calculated for the years ended 31 March 2013 and 2014 as there were no dilutive potential ordinary shares in existence.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2012	4,254	7,102	440	1,768	13,564
Additions	—	649	23	—	672
Reclassified from investment property (note)	1,820	—	—	—	1,820
Exchange realignment	65	93	6	23	187
At 31 March 2013 and 1 April 2013	6,139	7,844	469	1,791	16,243
Additions	—	617	7	892	1,516
Disposals	—	(227)	—	(700)	(927)
Exchange realignment	106	135	8	30	279
At 31 March 2014	6,245	8,369	484	2,013	17,111
Accumulated depreciation					
At 1 April 2012	1,617	2,855	333	1,032	5,837
Depreciation	247	671	36	228	1,182
Exchange realignment	22	40	4	14	80
At 31 March 2013 and 1 April 2013	1,886	3,566	373	1,274	7,099
Depreciation	281	730	27	213	1,251
Write back on disposals	—	(179)	—	(612)	(791)
Exchange realignment	32	61	6	23	122
At 31 March 2014	2,199	4,178	406	898	7,681
Net book amount					
At 31 March 2014	4,046	4,191	78	1,115	9,430
At 31 March 2013	4,253	4,278	96	517	9,144

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

Note: The Group transferred the investment property to owner-occupied during the year ended 31 March 2013. The fair values of the Group's investment property immediately before transfer to property, plant and equipment as at 1 August 2012 have been arrived at on market value basis carried out by Vigers Appraisal & Consulting Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation was based on the market value as either on the basis of capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the property or by reference to comparable market transactions.

17. PREPAID PREMIUM FOR LAND LEASES

	Group
	HK$'000
At 1 April 2012	6,717
Amortisation	(167)
Exchange realignment	83
At 31 March 2013 and 1 April 2013	6,633
Additions	2,268
Amortisation	(205)
Exchange realignment	111
At 31 March 2014	8,807

The lands are located in PRC and are held on medium-term lease. The Group is in the process of obtaining land use right certificates for the carrying value of lands amounted to HK$2,901,000 as at 31 March 2014 (2013: HK$681,000). As confirmed by the Group's PRC legal adviser, there is no legal impediment for the Group to obtain the land use right certificates.

18. INTEREST IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**52,086**	—

18. INTEREST IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 31 March 2014 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Place of operation and principal activities
Limited liability company					
Jia Meng Limited	British Virgin Island ("BVI")	Share capital — US$1	100%	—	Investment holding in BVI
Sunhine Wealthy Limited	BVI	Share capital — US$1	—	100%	Investment holding in BVI
Grandeur	Hong Kong	Share capital — HK$10,000	—	100%	Investment holding in Hong Kong
Guangdong Jia Meng	PRC	Registered and paid-up capital — RMB30,000,000	—	99%	Manufacturing of home furniture-mattress, soft bed and healthy concept products in the PRC
Jia Meng Healthy Bedding (Overseas) Company Limited	Hong Kong	Share capital — US$1,000	—	99%	Investment holding in Hong Kong

19. INVENTORIES

	Group 2014 HK$'000	Group 2013 HK$'000
Raw materials	**1,450**	1,484
Work in progress	**181**	701
Finished goods	**82**	159
	1,713	2,344

20. TRADE AND OTHER RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**46,892**	23,873
Other receivables	**11,995**	6,544
Prepayments	**1,204**	5,121
	60,091	35,538

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date.

The ageing analysis of trade receivables based on the invoice date at the reporting date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 3 months	**9,178**	20,049
More than 3 months	**37,714**	3,824
	46,892	23,873

The ageing of trade debtors which are past due but not impaired are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**9,178**	20,049
Less than 1 month past due	**12,314**	1,305
1 to 3 months past due	**15,664**	164
More than 3 months but less than 12 months past due	**9,736**	2,355
	46,892	23,873

Trade receivables that were neither past due nor impaired relate to a number of customer for whom there was no recent history of default.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. AMOUNT DUE FROM A RELATED PARTY

Group

Details of the amounts due from the related parties are as follows:

	Maximum amount outstanding during the year	**Opening outstanding balance**	**Closing outstanding balance**
	HK$'000	HK$'000	HK$'000
At 31 March 2014			
萬利寶(廣州)傢俱有限公司 (Wanlibao (Guangzhou) Furniture Company Limited*) ("Wanlibao") (note)	2,737	2,737	—
At 31 March 2013			
廣州裕發傢俱有限公司 (Guangzhou Yufa Furniture Company Limited*) ("Yufa") (note)	11,659	11,659	—
Wanlibao (note)	4,155	4,155	2,737
廣州富利傢俱有限公司 (Guangzhou Fuli Furniture Company Limited*) ("Fuli") (note)	77	77	—
		15,891	2,737

* The English name is for identification purpose only

Note: Yufa, Wanlibao and Fuli are wholly-own subsidiaries of Royale Furniture Holdings Limited ("Royale"), which is a beneficial shareholder of Grandeur and the Company before and after the Reorganisation respectively with significant influence.

The above balances due were unsecured, non-interest bearing and repayable on demand.

22. CASH AND CASH EQUIVALENTS

Group

Cash at banks earns interest at floating rates based on daily bank deposit rate. Included in bank and cash balances of the Group is a balance of approximately HK$18,277,000 as at 31 March 2014 which are denominated in Reminbi ("RMB") (2013: HK$32,979,000). RMB is not a freely convertible currency.

23. AMOUNT DUE FROM/TO A SUBSIDIARY COMPANY

The balances with subsidiaries are unsecured, interest free and repayable on demand.

24. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**14,208**	18,189	**—**	—
Accruals and other payables	**4,954**	5,670	**649**	60
Receipt in advance	**6,275**	6,176	**—**	—
	25,437	30,035	**649**	60

The ageing analysis of the trade payables of the Group based on the invoice date at the reporting date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 3 months	**12,132**	16,804
More than 3 months	**2,076**	1,385
	14,208	18,189

25. AMOUNTS DUE TO RELATED PARTIES

As at 31 March 2014, the amounts were due to a subsidiary of Royale. As at 31 March 2013, the amounts were due to subsidiaries of Royale and the shareholders of Grandeur before the Reorganisation which became the beneficial shareholders of the Company after the Reorganisation.

The balances due to related parties were unsecured, interest free and repayable on demand.

26. DEFERRED TAX LIABILITIES

Group

	Revaluation of property HK$'000
1 April 2012	293
Credit to profit or loss for the year	(14)
Exchange realignment	4
At 31 March 2013 and 1 April 2013	283
Credit to profit or loss for the year	(9)
Exchange realignment	5
At 31 March 2014	279

27. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK'000
Authorised:		
At date of incorporation, 31 March 2013 and 2014, ordinary shares of HK$0.1 each (note (a))	300,000	30,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At date of incorporation, 31 March 2013 and 1 April 2013 (note (a))	10	1
Issue of ordinary shares pursuant to the Reorganisation (note (b))	10	1
Issue of ordinary shares by placing (note (c))	30,000	3,000
Shares capitalisation (note (d))	69,980	6,998
At 31 March 2014	100,000	10,000

Notes:

(a) At the date of incorporation, the authorised share capital of the Company was HK$30,000,000 divided into 300,000,000 ordinary shares of HK$0.1 each and 10,000 ordinary shares of HK$0.1 each were issued on the same date.

(b) On 26 September 2013, additional 10,000 ordinary shares of HK$0.1 each were issued in pursuant to the Reorganisation (note 2).

(c) In connection with the placing, an aggregate of 30,000,000 new ordinary shares of HK$0.1 each were issued at a price of HK$1.15 per share on 15 October 2013.

27. SHARE CAPITAL *(Continued)*

(d) Pursuant to the written resolutions passed by the shareholders on 26 September 2013, the directors capitalised the amount of HK$6,998,000 standing on the credit of the share premium account of the Company to pay up in full at par 69,980,000 shares.

(e) The share capital balance in the consolidated statement of financial position as at 31 March 2013 and 2014 represented the issued and paid-up share capital of Grandeur and the Company respectively.

28. RESERVES

Group

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 29.

(a) Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.

(b) Capital reserve

Capital reserve represented the amounts due to beneficial shareholders which were capitalised during the year ended 31 March 2014.

(c) Merger reserve

Merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the issued share capital of the Group's subsidiary and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

(d) Statutory reserves

Statutory reserves represent appropriation of profits of the PRC subsidiary to non-distributable reserve fund account as required by the relevant PRC statue.

(e) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations into presentation currency. The reserves are dealt with in accordance with the accounting policies set out in note 5.

28. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 26 July 2012 (date of incorporation)	—	—	—	—
Loss for the year	—	—	(61)	(61)
Other comprehensive income for the year	—	—	—	—
Total comprehensive income for the year	—	—	(61)	(61)
At 31 March 2013 and 1 April 2013	—	—	(61)	(61)
Loss for the year	—	—	(1,120)	(1,120)
Other comprehensive income for the year	—	—	—	—
Total comprehensive income for the year	—	—	(1,120)	(1,120)
Issue of ordinary shares by placing (note 27(c))	31,500	—	—	31,500
Share issue costs	(11,278)	—	—	(11,278)
Share capitalisation (note 27(d))	(6,998)	—	—	(6,998)
Issue of shares pursuant to the Reorganisation (note)	—	52,085	—	52,085
At 31 March 2014	13,224	52,085	(1,181)	64,128

Note: Contributed surplus of the Company represented the difference between the net asset values of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

29. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions during the year

Save as disclosed elsewhere in the financial statements, the Group carried out the following transactions with its related parties during the year:

Names of related parties	Nature of transactions	Group 2014 HK$'000	Group 2013 HK$'000
Hong Kong Royal Furniture Holding Limited (香港皇朝傢俬集團有限公司) ("HK Royal Furniture") and Wanlibao (note (i))	Licence fees to	**756**	738
Yufa	Sales of goods to	**160**	—
	Rental income received from	**—**	75
Wanlibao	Sales of goods to	**354**	2,220
	Rental income received from	**—**	77
Fuli	Rental income received from	**—**	77
Signature Industries Limited (note (ii))	Purchases from	**—**	1,321

Notes:

(i) HK Royal Furniture is a shareholder of Grandeur and the Company before and after the Reorganisation respectively. It is also a wholly-owned subsidiary of Royale.

(ii) Signature Industries Limited is a subsidiary of Royale.

(b) Key management personnel compensation

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**2,520**	906
Pension costs — defined contribution plan	**63**	51
	2,583	957

30. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain office premises under operating lease arrangement, with lease terms of within two years. At the end of each reporting period, the Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**49**	505
Within two to five years	**—**	218
	49	723

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

31. FINANCIAL RISK MANAGEMENT *(Continued)*

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statements of financial position at the reporting dates may also be categorised as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
Trade and other receivables	**58,887**	30,417	**—**	—
Amount due from a related party	**—**	2,737	**—**	—
Amount due from a subsidiary	**—**	—	**22,987**	—
Cash and cash equivalents	**37,455**	38,291	**—**	—
	96,342	71,445	**22,987**	—
Financial liabilities				
Financial liabilities at amortised costs:				
Trade and other payables	**19,162**	23,859	**649**	60
Amount due to a subsidiary	**—**	—	**296**	—
Amounts due to related parties	**172**	10,049	**—**	—
	19,334	33,908	**945**	60

Foreign currency risk

The Group's exposures to currency risk arise from its overseas sales, which are primarily denominated in United State dollars ("US$") and not the functional currency of the group entities. Since Hong Kong dollars are linked to US$, the directors consider that the Group's exposure on currency risk is not significant.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in note 22 above. The Group currently does not have an interest rate hedging policy.

31. FINANCIAL RISK MANAGEMENT *(Continued)*

Interest rate risk *(Continued)*

The following table illustrates the sensitivity of the Group's profit for the year, and other components of equity due to a possible change in interest rates on its floating rate bank deposits with all other variables held constant at the end of each reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Group	
	2014	2013
	HK$'000	HK$'000
Increase/(decrease) in profit for the year and retained profits		
Increase/decrease in basis points ("bp")		
+ 50 bp	**148**	145
- 50 bp	**(148)**	(145)

The above sensitivity analysis is prepared based on the assumption that the bank deposits as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in note 20 above.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Credit risk on liquid funds is limited because the counterparties are reputable banks.

31. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

	Within 3 months or on demand HK$'000	**Total undiscounted amount** HK$'000	**Carrying amount** HK$'000
Group			
At 31 March 2014			
Trade and other payables	19,162	19,162	19,162
Amounts due to related parties	172	172	172
	19,334	19,334	19,334
At 31 March 2013			
Trade and other payables	23,859	23,859	23,859
Amounts due to related parties	10,049	10,049	10,049
	33,908	33,908	33,908
Company			
At 31 March 2014			
Accruals and other payables	649	649	649
Amount due to a subsidiary	296	296	296
	945	945	945
At 31 March 2013			
Accruals and other payables	60	60	60

Fair value

The fair values of the Group's and Company's financial assets and liabilities as at 31 March 2013 and 2014 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The net debt to equity ratio at the end of each of the reporting dates was as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other payables	**25,437**	30,035	**649**	60
Amounts due to related parties	**172**	10,049	**—**	—
Amount due to a subsidiary	**—**	—	**296**	—
	25,609	40,084	**945**	60
Less: Cash and bank balance	**37,455**	38,291	**—**	—
Net debt	**n/a**	1,793	**945**	60
Equity	**92,028**	52,786	**74,128**	n/a
Net debt to equity ratio	**n/a**	3%	**1%**	n/a

In the opinion of the directors, the Group's net debt to equity ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

During the year ended 31 March 2014, amounts due to beneficial shareholders of approximately HK$10,207,000 were capitalised and transferred from amounts due to related parties to capital reserve (note 28(b)).

34. EVENTS AFTER THE REPORTING DATE

At the extraordinary general meeting of the Company held on 30 May 2014, an ordinary resolution in respect of the Share Subdivision, on the basis that every one issued and unissued share of HK$0.1 each in the share capital of the Company be subdivided into four subdivided shares of HK$0.025 each, was duly passed and approved by shareholders. The Share Subdivision became effective on 3 June 2014. Details of the Share Subdivision are disclosed in the circular of the Company dated 14 May 2014.

THREE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last three financial years, as extracted from the published audited financial statements, is set out below:

RESULTS

	For the year ended 31 March		
	2014	2013	2012
	HK$'000	HK$'000	HK$'000
Revenue	**132,994**	127,871	122,031
Cost of sales	**(96,747)**	(90,928)	(86,653)
Gross profit	**36,247**	36,943	35,378
Other income	**323**	538	1,110
Selling and distribution expenses	**(7,401)**	(6,939)	(6,188)
Administrative expenses	**(15,670)**	(9,191)	(6,357)
Research expenses	**(4,358)**	(3,876)	(4,444)
Finance costs	**(5)**	(18)	(374)
Profit before income tax	**9,136**	17,457	19,125
Income tax expense	**(4,495)**	(6,840)	(3,347)
Profit for the year	**4,641**	10,617	15,778
Profit for the year attributable to:			
— Owners of the Company	**4,516**	10,469	15,633
— Non-controlling interests	**125**	148	145
	4,641	10,617	15,778

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March		
	2014	2013	2012
	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**117,916**	94,687	96,548
TOTAL LIABILITIES	**(25,888)**	(41,901)	(54,642)
NON-CONTROLLING INTERESTS	**(1,002)**	(861)	(704)
	91,026	51,925	41,202