

# 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



Interim 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

	PAGE(S)
CORPORATE INFORMATION	3
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	11
MANAGEMENT DISCUSSION AND ANALYSIS	22
OTHER INFORMATION	27

# 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](http://www.jmbedding.com)

## BOARD OF DIRECTORS

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

DLA Piper Hong Kong

## THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

## **CORPORATE INFORMATION**



### **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

The Board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2014, together with the unaudited comparative figures for the corresponding period in 2013, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	6	18,750	35,040	52,444	61,469
Cost of sales		(14,314)	(25,558)	(40,673)	(45,219)
Gross profit		4,436	9,482	11,771	16,250
Other income		433	71	503	116
Selling and distribution expenses		(1,540)	(2,118)	(3,169)	(3,671)
Administrative expenses		(6,468)	(7,407)	(9,845)	(9,437)
Research expenses		(1,158)	(1,176)	(2,514)	(2,524)
(Loss)/profit before income tax	7	(4,297)	(1,148)	(3,254)	734
Income tax expenses	8	(367)	(1,550)	(1,212)	(2,035)
Loss for the period		(4,664)	(2,698)	(4,466)	(1,301)
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>					
Exchange differences arising on translation of financial statements of foreign operations		146	394	188	1,525
Total comprehensive income for the period		(4,518)	(2,304)	(4,278)	224

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loss for the period attributable to:					
— Owners of the Company		<b>(4,655)</b>	(2,728)	<b>(4,484)</b>	(1,349)
— Non-controlling interests		<b>(9)</b>	30	<b>18</b>	48
		<b>(4,664)</b>	(2,698)	<b>(4,466)</b>	(1,301)
Total comprehensive income for the period attributable to:					
— Owners of the Company		<b>(4,511)</b>	(2,338)	<b>(4,298)</b>	161
— Non-controlling interests		<b>(7)</b>	34	<b>20</b>	63
		<b>(4,518)</b>	(2,304)	<b>(4,278)</b>	224
Loss per share for loss attributable to owners of the Company during the period	9				
— Basic		<b>HK(1.16) cent</b>	HK(0.97) cent (Restated)	<b>HK(1.12) cent</b>	HK(0.48) cent (Restated)
— Diluted		<b>HK(1.16) cent</b>	N/A	<b>HK(1.12) cent</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	NOTES	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	8,938	9,430
Prepaid premium for land leases		8,716	8,807
<b>Total non-current assets</b>		<b>17,654</b>	18,237
<b>Current assets</b>			
Inventories		5,543	1,713
Trade and other receivables	12	40,199	60,091
Tax receivables		390	420
Restricted bank deposit	16	4,924	—
Cash and cash equivalents		38,379	37,455
<b>Total current assets</b>		<b>89,435</b>	99,679
<b>Total assets</b>		<b>107,089</b>	117,916
<b>Current liabilities</b>			
Trade and other payables	13	16,699	25,437
Amounts due to related parties		—	172
<b>Total current liabilities</b>		<b>16,699</b>	25,609
<b>Net current assets</b>		<b>72,736</b>	74,070
<b>Total assets less current liabilities</b>		<b>90,390</b>	92,307
<b>Non-current liabilities</b>			
Deferred tax liabilities		280	279
<b>Total liabilities</b>		<b>16,979</b>	25,888
<b>NET ASSETS</b>		<b>90,110</b>	92,028



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	NOTES	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
<b>EQUITY</b>			
Share capital	14	10,050	10,000
Reserves		79,038	81,026
Equity attributable to owners of the Company		89,088	91,026
Non-controlling interests		1,022	1,002
<b>TOTAL EQUITY</b>		<b>90,110</b>	92,028

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Unaudited										
	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital reserves	Merger reserves	Statutory reserves	Share option reserves	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	10	—	—	—	5,033	—	9,055	37,827	51,925	861	52,786
Arising from reorganisation ("Reorganisation")	(8)	—	—	8	—	—	—	—	—	—	—
(Loss)/profit for the period	—	—	—	—	—	—	—	(1,349)	(1,349)	48	(1,301)
Other comprehensive income —											
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	1,510	—	1,510	15	1,525
Total comprehensive income for the period	—	—	—	—	—	—	1,510	(1,349)	161	63	224
At 30 September 2013	2	—	—	8	5,033	—	10,565	36,478	52,086	924	53,010
At 1 April 2014	10,000	13,224	10,207	8	6,404	—	10,211	40,972	91,026	1,002	92,028
(Loss)/profit for the period	—	—	—	—	—	—	—	(4,484)	(4,484)	18	(4,466)
Other comprehensive income —											
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	186	—	186	2	188
Total comprehensive income for the period	—	—	—	—	—	—	186	(4,484)	(4,298)	20	(4,278)
Recognition of share-based payments	—	—	—	—	—	1,476	—	—	1,476	—	1,476
Shares issued under share option scheme ("Share Option Scheme")	50	1,276	—	—	—	(442)	—	—	884	—	884
At 30 September 2014	10,050	14,500	10,207	8	6,404	1,034	10,397	36,488	89,088	1,022	90,110

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	27	(4,529)
Net cash used in investing activities	(35)	(797)
Net cash generated from/(used in) financing activities	884	(203)
Net increase/(decrease) in cash and cash equivalents	876	(5,529)
Cash and cash equivalents at beginning of period	37,455	38,291
Effect of foreign exchange rates, net	48	1,320
Cash and cash equivalents at end of period	38,379	34,082

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 July 2012, as an exempted company with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Unit D, 23/F, Infotech Centre, 21 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company's shares were listed on GEM of the Stock Exchange on 15 October 2013 (the "Listing"). The Company is an investment holding company. The principal activity of the Group is design, manufacture and sale of mattress and soft bed products in the People's Republic of China (the "PRC") and export mattress to overseas markets.

The condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Through the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company has since 26 September 2013 become the holding company of its subsidiaries now comprising the Group. Details of the Reorganisation are fully explained in the paragraphs headed "Reorganisation" of the section headed "History and Corporate Structure" to the prospectus of the Company dated 30 September 2013 (the "Prospectus") in connection with the Listing.

## 3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 4. ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2014 ("2014 Annual Financial Statements") except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 April 2014. The effect of which was not material to the Group's results of operations or financial position. The following accounting policies had been adopted by the Group but were not summarised in the section headed "Summary of Significant Accounting Policies" of the 2014 Annual Financial Statements as the Group had no share-based payment arrangement at that time.

### Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period, or recognised in profit or loss in full at the grant date when the share options granted vest immediately, with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 5. SEGMENT INFORMATION

### (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 in the PRC and export mattress to overseas markets.

### (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.

	Three months ended 30 September		Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Revenue from external customers</b>				
PRC	<b>8,946</b>	20,318	<b>13,103</b>	30,568
Other countries	<b>9,804</b>	14,722	<b>39,341</b>	30,901
	<b>18,750</b>	35,040	<b>52,444</b>	61,469

### (c) Information about a major customer

No single customer accumulated more than 10% of the Group's revenue for the three months and six months ended 30 September 2014 and 2013.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

### 6. REVENUE

Revenue represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax.

### 7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Cost of inventories recognised as expenses	<b>14,314</b>	25,558	<b>40,673</b>	45,219
Listing expenses (including professional fees and other expenses)	—	5,628	—	5,628
Depreciation of property, plant and equipment	<b>287</b>	272	<b>651</b>	558
Amortisation of prepaid premium for land leases	<b>40</b>	40	<b>88</b>	86
Operating lease charges on rented premises	<b>39</b>	138	<b>65</b>	277
Staff costs (including directors' remuneration):				
— Wages, salaries and bonus	<b>2,749</b>	2,222	<b>4,853</b>	4,452
— Contribution to defined contribution plans	<b>333</b>	335	<b>636</b>	636
— Share-based compensation expense	<b>1,476</b>	—	<b>1,476</b>	—
	<b>4,558</b>	2,557	<b>6,965</b>	5,088

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Income tax expense</b>				
— PRC current	<b>367</b>	1,550	<b>1,212</b>	2,035

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits arising from Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate applicable to the Group's subsidiaries in the PRC is 25%.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

### 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Loss</b>				
Loss for the purposes of basic and diluted loss per share	<b>(4,655)</b>	(2,728)	<b>(4,484)</b>	(1,349)
<b>Number of shares</b>	<b>'000</b>	'000	<b>'000</b>	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	<b>400,413</b>	280,000 (Restated)*	<b>400,208</b>	280,000 (Restated)*
Effect of dilutive potential ordinary shares – share options	<b>(6)</b>	N/A <sup>^</sup>	<b>(3)</b>	N/A <sup>^</sup>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<b>400,407</b>	N/A <sup>^</sup>	<b>400,205</b>	N/A <sup>^</sup>

\* The number of shares used to calculate the basic loss per share for the three months and six months ended 30 September 2013 represents the number of shares of the Company immediately after the Reorganisation and the capitalisation issue as disclosed in Appendix V to the Prospectus, but excluding any shares issued pursuant to the placing, as if the shares had been in issue throughout the periods and has been restated as a result of the share subdivision ("Share Subdivision") (note 14(ii)).

<sup>^</sup> No diluted loss per share is calculated for the three months and six months ended 30 September 2013 as there were no dilutive potential ordinary shares in existence.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 10. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2014 (2013: Nil).

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group spent approximately HK\$84,000 (six months ended 30 September 2013: approximately HK\$797,000) on acquisition of property, plant and equipment. There was no material disposal during both periods.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Trade receivables	<b>27,251</b>	46,892
Other receivables	<b>12,528</b>	11,995
Prepayments	<b>420</b>	1,204
	<b>40,199</b>	60,091

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 are 30 to 90 days from invoice date.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

### 12. TRADE AND OTHER RECEIVABLES (Continued)

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

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Within 3 months	<b>7,367</b>	9,178
More than 3 months	<b>19,884</b>	37,714
	<b>27,251</b>	46,892

### 13. TRADE AND OTHER PAYABLES

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Trade payables	<b>10,807</b>	14,208
Other payables and accruals	<b>3,781</b>	4,954
Receipt in advance	<b>2,111</b>	6,275
	<b>16,699</b>	25,437

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

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Within 3 months	<b>5,293</b>	12,132
More than 3 months	<b>5,514</b>	2,076
	<b>10,807</b>	14,208

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 14. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 April 2014, ordinary shares of HK\$0.1 each	300,000	30,000
Effect of Share Subdivision to HK\$0.025 each (note (i))	900,000	—
<hr/>		
At 30 September 2014, ordinary shares of HK\$0.025 each	1,200,000	30,000
<hr/>		
Issued and fully paid:		
At 1 April 2014, ordinary shares of HK\$0.1 each	100,000	10,000
Effect of Share Subdivision to HK\$0.025 each (note (i))	300,000	—
Shares issued under Share Option Scheme	2,000	50
<hr/>		
At 30 September 2014, ordinary shares of HK\$0.025 each	402,000	10,050
<hr/>		

- (i) 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.

## 15. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 September 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 16. CONTINGENT LIABILITIES

During the period ended 30 September 2014, a subsidiary of the Company (“the Defendant”) was involved in legal actions in the PRC. Approximately RMB4,100,000 worth of raw materials was purchased from a supplier and due to the quality problems of the raw materials the Defendant has refused to pay. A bank deposit of approximately HK\$4,924,000 was frozen by a court order. The Defendant has appealed to the Guangzhou Zengcheng District People’s Court (廣州市增城區人民法院).

The directors believe, based on legal advice, that the Defendant has legal and factual grounds to defend and therefore no provision has been made in the condensed consolidated financial statements.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 September 2014.

## 17. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

Name of the related parties	Nature of transactions	Six months ended 30 September	
		2014 HK\$’000 (unaudited)	2013 HK\$’000 (unaudited)
Hong Kong Royal Furniture Holding Limited (“HK Royal Furniture”) (note (i)) and Wanlibao (Guangzhou) Furniture Limited (“Wanlibao”) (note (ii))	Licence fees to	189	377

(i) HK Royal Furniture is a shareholder of Grandeur Industries Limited, a subsidiary of the Group, and the Company before and after the Reorganisation respectively with significant influence. It is also a wholly-owned subsidiary of Royale Furniture Holdings Limited (“Royale”). On 27 June 2014, HK Royal Furniture disposed its entire equity interest of the Company and since then, HK Royal Furniture is not a related party of the Group.

(ii) Wanlibao is a subsidiary of Royale.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 18. OPERATING LEASE COMMITMENTS

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:

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Within one year	<b>49</b>	49
Within two to five years	—	—
	<b>49</b>	49

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2014 (2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

During the period, the turnover of the Group for the six months ended 30 September 2014 was approximately HK\$52.4 million, representing a decrease of approximately 14.7% as compared to the same period in the previous year. The decrease in turnover was mainly due to the decreased demand of mattresses and soft beds from the domestic markets.

For the six months ended 30 September 2014, the Group achieved an overall gross profit of approximately HK\$11.8 million, representing a decrease of approximately HK\$4.5 million over the corresponding period in previous year. Gross profit margin for the six months ended 30 September 2014 decreased to 22.4% from 26.4% recorded in the corresponding period in the previous year. The decrease in gross profit margin was mainly due to decrease in domestic sales and increased demand of mattresses from our overseas customers which carry a lower profit margin compared with domestic sales of mattress.

The administrative expenses of the Group primarily comprised of expenses incurred for the staff costs, share-based compensation expenses, social insurance cost and professional fee. For the six months ended 30 September 2014, the Group's administrative expenses increased to approximately HK\$9.8 million compared to approximately HK\$9.4 million for the corresponding period of last year, representing an increase of approximately 4.3%. The increase was mainly attributed to the increase of Directors' fee, share-based compensation expenses and professional fee by approximately HK\$1.4 million, HK\$1.5 million and HK\$1.9 million which was offset by the decrease of listing expenses by approximately HK\$5.6 million.

Selling and distribution expenses for the six months ended 30 September 2014 was approximately HK\$3.2 million (2013: HK\$3.7 million). Selling and distribution expenses decreased which was mainly due to decrease in staff costs and marketing research fee.

## Business Review and Prospect

In view of the decrease in demand of branded mattresses in the PRC market, the Group is working on increasing sales through other channels such as export sales of mattresses and sales of soft bedding products domestically. The Group is committed to allocating more resources on the research and development of new products in response to changes in market preferences. Against a backdrop of slow global recovery, the Group has successfully increased its export sales during the period through participation in furniture exhibitions. In order to capture more overseas businesses, we shall continue to focus on market research to ensure that our product pricing and designs remain competitive.

Looking forward, although the worldwide markets are getting more competitive, the Group will continue to expand our sales channels for our mattresses and soft bedding products both domestically and internationally.

## FOREIGN EXCHANGE EXPOSURE

Our Group has foreign currency exposures. Such exposures 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 exposures.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows. The Group has no borrowings or material capital commitments as at 30 September 2014.

As at 30 September 2014, the Group had cash and cash equivalents of approximately HK\$38.4 million (31 March 2014: approximately HK\$37.5 million). The debt ratio, calculated as total liabilities over total assets of the Group as at 30 September 2014 was approximately 15.9% (31 March 2014: approximately 22.0%).

## CAPITAL STRUCTURE

There has been no material change in the capital structure of Group during the period under review.



# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE INFORMATION

As at 30 September 2014, the Company had 139 employees (31 March 2014: 133). The Company pays employees remuneration according to market practice, working experiences and performances of the employees. Other benefits are available to eligible employees, including retirement benefits.

## 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 with the Group's actual business progress for the period from 1 April 2014 to 30 September 2014:

Business objectives as set out in the Prospectus	Actual progress for the period form 1 April 2014 to 30 September 2014
Strengthening product design and development	During the period under review, we have spent HK\$1.9 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	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) to explore new customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

Increasing our brand awareness through trade fairs in the PRC	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.
Expanding our retail network in the PRC	During the period under review, we have had expanded new domestic customers which mainly covered second-tier cities.
Constructing a new production facility to expand our geographic reach	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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 30 September 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:

	<b>Net proceeds</b> (HK\$ in million)	<b>Approximate amount of net proceeds utilised up to 30 September 2014</b> (HK\$ in million)	<b>Approximate amount of net proceeds unutilised up to 30 September 2014</b> (HK\$ in million)
Participate in overseas trade fairs	3.2	0.4	2.8
Production design, research and development and hire of new designer	2.4	0.6	1.8
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2.0	0.5	1.5
Construct new production facility	4.6	—	4.6
General working capital	1.2	1.2	—
<b>Total</b>	<b>13.4</b>	<b>2.7</b>	<b>10.7</b>

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

### Directors', chief executives' interests in shares and short positions in the shares of the Company (the "Share(s)")

As at 30 September 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 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed issuers, were as follows:

#### Long positions in Shares

Name of Directors	Nature of shares interested	Number of shares interested	Number of underlying shares (Note 3)	Percentage of shareholding (%)
Mr. Tse Woon Mo, William ("Mr. William Tse") (Note 1)	Interest of controlled corporation	154,000,000 (long position)	—	38.31%
Mr. Chan Wing Kit ("Mr Chan") (Notes 2 and 3)	Interest of a controlled corporation and beneficial owner	4,800,000 (long position)	2,000,000 (long position)	1.69%

Note 1: Platinum Tools Trading Limited is beneficially owned as to 56.36% by Mr. William Tse. Accordingly, Mr. William Tse is deemed to be interested in the 154,000,000 Shares held by Platinum Tools Trading Limited by virtue of the SFO.

Note 2: The entire issued share capital of World Partner Development Limited is beneficially owned by Mr. Chan. Accordingly, Mr. Chan is deemed to be interested in the 2,800,000 Shares held by World Partner Development Limited by virtue of the SFO and Mr. Chan personally held 2,000,000 Shares.

Note 3: The interests in underlying shares represented interests in share options granted to the Director, further details of which are set out in the section headed "Share Option Scheme" below.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at 30 September 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:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
Platinum Tools Trading Limited (Note 1)	Beneficial owner	154,000,000	38.31%
Mr. William Tse (Note 1)	Interest of controlled corporation	154,000,000	38.31%
Mr. Yim Yin Nang (Note 1)	Interest of controlled corporation	154,000,000	38.31%

Note:

1. Platinum Tools Trading Limited is beneficially owned as to 56.36% by Mr. William Tse and 43.64% by Mr. Yim Yin Nang. Mr. William Tse and Mr. Yim Yin Nang are parties acting in concert. Accordingly, Mr. William Tse and Mr. Yim Yin Nang are deemed to be interested in the 154,000,000 Shares held by Platinum Tools Trading Limited under the SFO.

Save as disclosed above, as at 30 September 2004, 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.

### SHARE OPTION SCHEME

On 22 August 2014, a share option scheme (the "Share Option Scheme") was approved by shareholders of the Company and adopted by the Company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

Concerning the Share Option Scheme, the maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or any independent non-executive Director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each offer) in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

An offer of a grant of options may be accepted within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for trade in one or more board lots of the Shares for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

## OTHER INFORMATION

The following table discloses details of movements in respect of the Company's share options

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price (Note 1)	Outstanding at			
				At 1 April 2014	Granted during the period	Exercised during the period (Note 2)	30 September 2014
Director — Mr. Chan	4 Sept 2014	4 Sept 2014 to 3 Sept 2016	0.442	—	4,000,000	2,000,000	2,000,000
Employee	4 Sept 2014	4 Sept 2014 to 3 Sept 2016	0.442	—	4,000,000	—	4,000,000
				—	8,000,000	2,000,000	6,000,000

Note 1: The closing prices per Share immediately before the date on which the share options was granted were HK\$0.42.

Note 2: The closing price of the Shares immediately before the dates on which the share options were exercised is HK\$0.41.

The fair values of options granted were determined using the Binomial Model with assumptions and parameters set out as follows:

Grant date:	4 September 2014
Share price on grant date	HK\$0.42
Exercise price	HK\$0.442
Expected volatility*	139.7%
Life of options	2 years
Risk-free rate	0.44%
Fair values of options granted	HK\$1,476,000

\* The expected volatility is estimated by the historical volatility of the Company's share price over the most recent period commensurate with the expected life of the share options. The historical volatility is calculated from lognormal return of the share price of the Company between the Listing date and the valuation date.

### INTERESTS OF THE COMPLIANCE ADVISER AND ITS DIRECTORS, EMPLOYEES AND ASSOCIATES

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.

As confirmed by Kingsway Capital Limited, the compliance adviser of the Company, save as disclosed above, and as disclosed in the Prospectus, none of Kingsway Capital Limited and its directors, employees nor associates is materially interested in any contract or arrangement as at 30 September 2014, which is significant in relation to the business of the Group.

### INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the six months ended 30 September 2014 or at any time during such period.

### COMPETING INTERESTS

During the period under review, none of the Directors or the controlling shareholders of the Company 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 Groups or had any other conflict or potential conflict of interest with the Group.

### NEW BUSINESS OPPORTUNITY

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

### AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 26 September 2013 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. 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 and provide advice and comments to the Directors.



## OTHER INFORMATION

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 Audit Committee has reviewed the interim financial information of the Group for the three months and six months ended 30 September 2014.

The Audit Committee also reviewed the non-compliance quarterly report of the Group for the six months ended 30 September 2014 and no material non-compliance issue has been identified.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules of the Stock Exchange.

## 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 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 required standards of dealings throughout the period under review.

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

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 10 November 2014

*As at the date of this report, the executive Directors of the Company are Mr. Tse Woon Mo, William and Mr. Chan Wing Kit; and the independent non-executive Directors of the Company are Mr. Ng Yat Cheung, Mr. Zhu Xiaobing and Mr. Chan Wai Cheung, Admiral.*