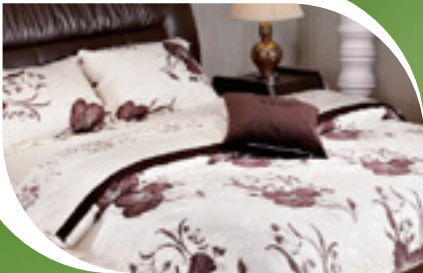


Annual Report

2015



# 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

**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.*

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# CORPORATE INFORMATION

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## 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. Yim Yin Nang (*Chairman*) (*appointed on 5 March 2015*)  
Mr. Tse Woon Mo, William  
(*Chairman*) (*resigned on 5 March 2015*)  
Mr. Chan Wing Kit (*Chief Executive Officer*)  
Mr. Ng Wing Cheong, Stephen (*appointed on 22 April 2015*)

### Independent Non-executive Directors

Mr. Ng Yat Cheung, JP  
Mr. Chan Wai Cheung, Admiral  
Mr. Zhu Xiaobing  
Mr. Fung Kam Man (*appointed on 1 April 2015*)

## 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  
Mr. Fung Kam Man (*appointed on 1 April 2015*)

## NOMINATION COMMITTEE

Mr. Zhu Xiaobing (*Chairman*)  
Mr. Ng Yat Cheung, JP  
Mr. Chan Wai Cheung, Admiral  
Mr. Fung Kam Man (*appointed on 1 April 2015*)

## REMUNERATION COMMITTEE

Mr. Ng Yat Cheung, JP (*Chairman*)  
Mr. Chan Wai Cheung, Admiral  
Mr. Zhu Xiaobing  
Mr. Fung Kam Man (*appointed on 1 April 2015*)

## 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  
Public Bank (Hong Kong)

## STOCK CODE

8101

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2015 (the "Year").

The Company was successfully listed on GEM of the Stock Exchange 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.

## INDUSTRY REVIEW

For the year ended 31 December 2014, PRC's gross domestic product annual growth rate was at 7.5% which was lower than the rate at 7.7% for the year ended 31 December 2013. The global economic performance for the Year remains subdued due to the persistent recession in the European region and the slow recovery in the United States. The Group faces challenging operating environment as the overall demand for the furnishing and bedding products gets weak when compared with previous years and the manufacturing business is significantly affected by the rising labour cost. The Group's turnover decreased by approximately HK\$41.8 million to approximately HK\$91.2 million. For the year ended 31 March 2015, the Group's loss attributable to owners was approximately HK\$8.7 million.

## OUTLOOK AND FUTURE PROSPECTS

Looking forward, the challenging business environment confronting the furnishing and bedding business is expected to continue in the coming year.

The worldwide markets are getting more competitive and are facing challenging operating environment. It is expected that the growth in the overseas markets will be lower than expected. The export businesses will slow down by getting weak on the overall demand of mattresses. The Group will continue its efforts to broaden its customer bases and to offer customers with quality products at competitive prices.

For the PRC market, the Group expects that China will continue to face the downward pressure in its economy performance. Even though the Chinese government has ended a five-year tightening stance on the property sector, the furniture industry is still struggling. The Group shall continue to put resources to strengthen its branding and position, to increase more sales channels in the furnishing and bedding business, to explore further quality investment opportunities and to consider investing in quality listed securities to enhance the Group's return.

The Group will consider to adopt a business diversification strategy and develop other business operations in order to maximize the returns for the shareholders of the Group. During the year, the group started investing in listed equity securities in Hong Kong. Apart from that, the Group acquired the entire equity interest of Full Profit Property Services Company Limited, which is a company incorporated in Hong Kong and principally engaged in the provision of property management and property agency services in Hong Kong. The Group expected that this approach not only diversifies the sources of income, but also provides additional resources to finance its core business, which in turn enhance the Group's competitive edges.

On 22 April 2015, Mr. Ng Wing Cheong, Stephen joined the Company as executive Director. He had over 20 years experiences in architectural industry which enhance the board's knowledge to explore further business opportunities.

## 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

**Yim Yin Nang**

*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2015 (2014: Nil).

## BUSINESS REVIEW

During the year ended 31 March 2015, our extensive local sales network consists of over 110 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. 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 2014 and March 2015 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 has been determined to establish a long term relationship with its overseas customers. Although the overseas market is recovering slowly, the Group keeps on soliciting 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 35 overseas customers.

During the Year, the Group acquired Full Profit Property Services Company Limited which is engaged in property management and property agency business. Apart from that, the Group has started investing in Hong Kong listed companies' equity securities since December 2014. These will further broaden the revenue bases of the Group.

## 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\$4.5 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, the head of soft bed design team, resigned and replaced by another experienced designer. 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 5 soft bedding products.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group for the year ended 31 March 2015 was approximately HK\$91.2 million, representing a decrease of approximately 31.45% as compared to the financial year of 2014. The decrease in turnover was mainly due to the decreasing demand of soft beds and mattresses in domestic markets.

### Gross profit

The Group achieved an overall gross profit of approximately HK\$20.9 million, representing a decrease of approximately HK\$15.4 million as compared to the financial year of 2014 which was mainly due to the decreasing demand of soft beds and mattresses in domestic markets.

### Gross profit margin

Gross profit margin for the financial year of 2015 decreased to 22.9% from 27.3% recorded in the financial year of 2014. The decrease in gross profit margin was mainly due to decreased demand of soft beds and mattresses from our domestic customers which carry a higher profit margin compared with overseas sales of mattresses.

### Other income

The other income of the Group is mainly comprised of interest income, government grants, sales of scrap materials and sundry income. The increase of other income from approximately HK\$0.3 million in the financial year of 2014 to approximately HK\$0.9 million in the financial year of 2015 was mainly because the increase in government grants and sales of scrap materials.

### Administrative expenses

The administrative expenses of the Group are primarily comprised of expenses incurred for the listing, legal and professional fees, staff costs and social insurance cost. For the financial year ended 31 March 2015, the Group's administrative expenses increased to approximately HK\$17.2 million compared to approximately HK\$15.7 million for the financial year 2014, representing an increase of approximately 9.8%. The increase was mainly attributed to an increase of Directors' fee, share-based compensation expenses and professional fees by approximately HK\$2.2 million, HK\$1.5 million and HK\$1.3 million respectively.

### Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2015 were approximately HK\$5.0 million (2014: HK\$7.4 million). Decrease in selling and distribution expenses was mainly due to a decrease in staff costs and exhibition costs.

### Unrealised fair value gain on financial assets at fair value through profit or loss

The Group has started investing in Hong Kong listed companies equity securities since December 2014. As at 31 March 2015, the Group had financial assets at fair value through profit or loss of approximately HK\$2.6 million. The Group recorded fair value gain on financial assets at fair value through profit or loss approximately HK\$1.2 million during the Year.

### Income tax expense

Income tax expense decreased from approximately HK\$4.5 million in the financial year of 2014 to approximately HK\$2.6 million in the financial year of 2015, which was mainly due to decrease in profit before income tax of the Group's PRC subsidiary Guangdong Jia Meng.

### (Loss)/profit for the year

As a result of the foregoing factors, the Group recorded a loss of HK\$8.7 million for the year ended 31 March 2015 (2014: profit of HK\$4.6 million), and basic loss per share amounted to HK cents 2.04 for the year ended 31 March 2015 (2014: earnings per share HK cents 1.35).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Trade and other receivables

Trade and other receivables decreased to approximately HK\$42.0 million as at 31 March 2015 from approximately HK\$60.1 million as at 31 March 2014 which was mainly due to the decrease in trade receivables of approximately HK\$18.9 million as a result of decrease in sales.

### Trade and other payables

Trade and other payables decreased to approximately HK\$19.4 million as at 31 March 2015 from approximately HK\$25.4 million as at 31 March 2014 which was mainly because more suppliers had requested for deposits to be paid in advance of the purchase of raw materials and this 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 31 March 2014 to 31 March 2015:

Business objectives as set out in the Prospectus	Actual progress up to 31 March 2015
Strengthening product design and development	During the period under review, we have spent HK\$3.3 million and 1.2 million funded out of our internal resources and the proceeds from placing 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 the information gathered from the market and online sources and has performed a preliminary assessment in respect of the target markets.
Capitalising on growth opportunity in our mattress export business	During the period under review, HK\$1.6 million was used for participation 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	<p>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.</p> <p>We have been actively seeking advice from brand design consultants to help refine our brand image and positioning.</p> <p>During the period under review, we have attended International Famous Furniture Fair (Dongguan) in March 2015.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS

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Expanding our retail network in the PRC

During the period under review, we have had transactions with over 20 new domestic customers which mainly covered second-tier cities.

Constructing a new production facility to expand our geographic reach

After reviewing the domestic and overseas markets' conditions, the Group has decided to delay the lease of production facilities. The Group would continue to review the market conditions from time to time and seek the location for constructing production plants when the markets improve.

### 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 2015, 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 2015 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 31 March 2015 (HK\$ in million)
Participation in overseas trade fairs	3.2	1.6	1.6
Production design, research and development and hire of new designer	2.4	1.2	1.2
Entrance into distributorship arrangement with our specialty retailers and promotion of our brand image and products with them	2.0	1.0	1.0
Construction of new production facility	4.6	—	4.6
General working capital	1.2	1.2	—
<b>Total</b>	13.4	5.0	8.4

### USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 11 December 2014, a total of 80,000,000 ordinary shares were placed to not less than six placees, and an Independent Third Party, pursuant to the terms and conditions of the Placing Agreement.

Reference is made to the announcement of the Company dated 28 November 2014 in relation to the placing of new shares of the Company under a general mandate (the "Announcement"). The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$16.34 million. As at 31 March 2015, the proceeds have not yet been utilised and will be used as follows: (i) approximately HK\$10.34 million for the establishment of retail network for the sales of the Group's mattress and soft bed products, and (ii) approximately HK\$6 million as the general working capital of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2015, the Group maintained cash and cash equivalents amounting to HK\$53.4 million (2014: HK\$37.5 million). Net current assets increased from approximately HK\$74.1 million in 2014 to approximately HK\$88.4 million in 2015 which was mainly due to the decrease of trade payables and HK\$17.9 million proceeds from issue of ordinary shares.

### 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 2014 and 2015 as the Group had no bank borrowings at those dates.

### CAPITAL COMMITMENTS

As at 31 March 2015, the Group had no significant capital commitments.

### CONTINGENT LIABILITIES

During the year ended 31 March 2015, Guangdong Jia Meng refused to settle the amount of approximately HK\$5,167,000 ("the Debt") to a supplier (the "Supplier") due to quality problems of the raw materials supplied by it. On 18 July 2014, the Supplier claimed against Guangdong Jia Meng in 廣州市增城區人民法院 for the settlement plus accrued interest and related legal costs. On 11 February 2015, a court order was issued pursuant to which bank deposits of Guangdong Jia Meng amounting to approximately HK\$5,250,000 were frozen.

In case where Guangdong Jia Meng ultimately loses in the proceedings, it may have to settle the Debt to the Supplier, which has already been recorded as trade payables in the consolidated financial statements, plus accrued interest and related legal costs. The proceedings are ongoing up to the date of issuance of this annual report and the outcome is subject to uncertainties. The directors of the Company consider that no provision is required at this stage of the proceedings in accordance with the Group's relevant accounting policy.

Save as disclosed above, 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 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2015, the Group engaged a total of 152 employees (2014: 133). Total staff costs including Directors' remuneration for the financial year of 2015 amounted to approximately HK\$15.6 million (2014: HK\$11.8 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.

The share option scheme (the "Scheme") was adopted on 22 August 2014 to retain staff members who have made contributions to the success of the Group. On 4 September 2014, a total of 8,000,000 share options were granted to an executive Director and an employee of the Group. During the year, 2,000,000 share options were exercised under the Scheme.

### PENSION SCHEMES

The employees of the Group's subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme or the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,250 or HK\$1,500 (effective from 1 June 2014) and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,250 or HK\$1,500 (effective from 1 June 2014) (the "Mandatory Contributions"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the basic wages of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group.

### EVENTS AFTER THE REPORTING PERIOD

- (a) On 9 April 2015, the Company and CNI Securities Group Limited (the "Placing Agent") entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 96,400,000 new shares, to not less than six placees at a price of HK\$0.154 per placing share.

On 24 April 2015, in accordance with the terms and conditions of the placing agreement, an aggregate of 96,400,000 placing shares have been successfully placed to not less than six placees at the placing price of HK\$0.154 per placing share. The net proceeds from the placing are approximately HK\$14.22 million.

- (b) On 20 April 2015, Grandeur, a wholly owned subsidiary of the Company, entered into Memorandum of Understanding (the "MOU") with a prospective seller. Pursuant to the MOU, Grandeur has agreed to pay the earnest money ("sum of HK\$15,000,000 in cash") to the prospective seller upon the signing of the MOU as partial payment of the consideration for the possible acquisition of the entire equity interest of a target company. The target is principally engaged in retailing branded mattresses through various furniture outlets in Hong Kong.

At the date of this report, the proposed acquisition has not yet completed. For details please refer to the Company's announcement dated 20 April 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (c) On 21 April 2015, Colourful Focus Limited (“Colourful Focus”), a wholly owned subsidiary of the Company, entered into an agreement (the “Agreement”) with a vendor. Pursuant to the Agreement, Colourful Focus conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at completion at the consideration of HK\$24,000,000. The principal business of the target is properties holding and its principal assets are the properties.

At the date of this report, the proposed acquisition has not yet completed. For details please refer to the Company’s announcement dated 21 April 2015.

- (d) On 9 June 2015, the Company proposed a rights issue (“Proposed Right Issue”) on the basis of three rights share for every share held on the record date at the subscription price of HK\$0.12 per rights share. Net proceeds of approximately HK\$199.6 million will be raised, of which:— (i) approximately HK\$169.6 million was for acquisition of certain (a) properties in the PRC and/or Hong Kong for retail purpose and (b) office(s) for the Group’s own use; and (ii) approximately HK\$30.0 million was for the further development of the existing and future businesses of the Group.

At the date of this report, the Proposed Right Issue has not yet completed. For details please refer to the Company’s announcement dated 9 June 2015.

### **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

Save as disclose above, there were no other significant investment, material acquisitions and disposal of subsidiaries by the Group during the Year.

# CORPORATE GOVERNANCE REPORT

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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 GEM Listing Rules. During the financial year ended 31 March 2015, 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 2015 were:

*Executive Directors:* (Note 1)

Mr. Yim Yin Nang (*Chairman*) (*appointed on 5 March 2015*)

Mr. Chan Wing Kit (*Chief Executive Officer*)

Mr. Tse Woon Mo, William (*resigned on 5 March 2015*)

*Independent non-executive Directors:* (Note 2)

Mr. Chan Wai Cheung, Admiral

Mr. Ng Yat Cheung

Mr. Zhu Xiaobing

Note 1: On 22 April 2015, Mr. Ng Wing Cheong Stephen ("Mr. Ng") was appointed as an executive Director.

Note 2: On 1 April 2015, Mr. Fung Kam Man ("Mr. Fung") was appointed as an independent non-executive Director

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

As at 31 March 2015, 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 pages 27 to 28 in this annual report.

## CORPORATE GOVERNANCE 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 2015, 4 Board meetings, 4 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:

Name of Directors	Attendance/Number of meetings			
	Board meeting	Audit committee	Remuneration committee	Nomination committee
<b>Executive Directors</b>				
Mr. Yim Yin Nang	0/4	—	—	—
Mr. Chan Wing Kit	4/4	—	—	—
Mr. Tse Woon Mo, William	4/4	—	—	—
<b>Independent non-executive Directors</b>				
Mr. Chan Wai Cheung, Admiral	4/4	4/4	1/1	1/1
Mr. Ng Yat Cheung	4/4	4/4	1/1	1/1
Mr. Zhu Xiaobing	4/4	4/4	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 four independent non-executive Directors, namely Chan Wai Cheung, Admiral, Ng Yat Cheung, Zhu Xiaobing and Fung Kam Man. Chan Wai Cheung, Admiral is the chairman of the Audit Committee. (Note)

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, meet 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 2015.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2015 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 14 in this annual report.

Note: On 1 April 2015, Mr. Fung was appointed as a member of Audit Committee.

### Remuneration Committee

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

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 14 in this annual report.

Note: On 1 April 2015, Mr. Fung was appointed as a member of Remuneration Committee.



## CORPORATE GOVERNANCE REPORT

### Senior management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 March 2015 falls within the following bands:

	Number of individuals
Nil to HK\$1,000,000	2

### Nomination Committee

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

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 14 in this annual report.

Note: On 1 April 2015, Mr. Fung was appointed as a member of Nomination Committee.

### 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 of the Company (namely Mr. Yim Yin Nang, Mr. Chan Wing Kit, Mr. Tse Woon Mo, William, Mr. Ng Yat Cheung, Mr. Zhu Xiaobing and Mr. Chan Wai Cheung, Admiral) have participated 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 2015 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 21 August 2015.

## 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.

**CORPORATE GOVERNANCE REPORT****AUDITOR'S REMUNERATION**

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2015 is set out as follows:

<b>Services rendered</b>	<b>2015 HK\$'000</b>
Audit services	<b>680</b>

**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 the 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 2015, there was 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 2015, the Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training.

# REPORT OF THE DIRECTORS

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The Directors of the Company presented their report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2015.

## CORPORATE REORGANISATION

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

The companies 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 comprising the Group on 26 September 2013. 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 19 to the financial statements.

## RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 31 to 82.

No interim or 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 four financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 82. 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 2015.

## 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 29 to the financial statements.

## REPORT OF THE DIRECTORS

### DISTRIBUTABLE RESERVES

At 31 March 2015, the Company's reserves, calculated in accordance with the provisions of the Cayman Islands' legislation, amounted to approximately HK\$73.4 million (2014: HK\$64.1 million).

### 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 2015.

### DIRECTORS

The Directors of the Company during the Year were:

#### Executive Directors

Mr. Yim Yin Nang (*Chairman*) (*appointed on 5 March 2015*)

Mr. Chan Wing Kit (*Chief Executive Officer*)

Mr. Tse Woon Mo, William (*resigned on 5 March 2015*)

#### Independent non-executive Directors

Mr. Chan Wai Cheung, Admiral

Mr. Ng Yat Cheung

Mr. Zhu Xiaobing

Note 1: On 22 April 2015, Mr. Ng Wing Cheong Stephen ("Mr. Ng") was appointed as an executive Director.

Note 2: On 1 April 2015, Mr. Fung Kam Man ("Mr. Fung") was appointed as an independent non-executive Director.

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 27 and 28 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 namely, Chan Wing Kit and Tse Woon Mo, William, and independent non-executive Directors, namely Chan Wai Cheung, Admiral, Ng Yat Cheung, Zhu Xiaobing 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.

Executive Directors namely Yim Yin Nang and Ng Wing Cheong Stephen have entered into a service contract with the Company for an initial term of one year with effect from 5 March 2015 and 22 April 2015 respectively, and until terminated by not less than one month's prior notice in writing served by either party on the other or by payment of one month's fixed salary in lieu of such notice.

Independent non-executive Director, Fung Kim Man has entered into a letter of appointment with the Company for a period of three years commencing from 1 April 2015.

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/Related Party 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 2015, the Group had certain transactions with its related parties. Details of these transactions are set out in note 32 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

Since 27 June 2014, Hong Kong Royal Furniture Holding Limited ceased to be a shareholder of the Company with significant influence. 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 before 27 June 2014.

## REPORT OF THE DIRECTORS

**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 2015, 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**

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Number of underlying shares</b> (Note 3)	<b>Percentage of shareholding</b> (%)
Mr. Yim Yin Nang (Note 1)	Interest of a controlled corporation	67,205,600 (long position)	—	13.94%
Mr. Chan Wing Kit ("Mr. Chan") (Note 2)	Interest of a controlled corporation	4,800,000 (long position)	2,000,000 (long position)	1.41%

Note 1: Platinum Tools Trading Limited ("Platinum Tools") is 100% owned as by Mr. Yim Yin Nang.

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 of the Company held by World Partner Development Limited by virtue of the SFO and Mr. Chan personally holds 2,000,000 shares.

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

**SUBSTANTIAL SHAREHOLDERS**

So far as is known to the Directors as at 31 March 2015, 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 (Note 1)	Beneficial owner	67,205,600 (long position)	13.94%
Mr. Yim Yin Nang (Note 1)	Interest of a controlled corporation	67,205,600 (long position)	13.94%

Note:

1. Platinum Tools is 100% owned by Mr. Yim Yin Nang.

Save as disclosed above, as at 31 March 2015, 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.



## REPORT OF THE DIRECTORS

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)	At 1 April 2014	Granted during the year	Exercised during the year (Note 2)	Outstanding at 31 March 2015
Director — Mr. Chan	4 Sept 2014	4 Sept 2014 to 3 Sept 2016	0.442	—	4,000,000	2,000,000	2,000,000
An 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 price per share immediately before the date on which the share options were granted was HK\$0.42.

Note 2: The closing price of the shares immediately before the dates on which the share options were exercised was 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 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 2015.

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 2015, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 23.2% and 45.7% (2014: 8.6% and 25.4%) of the total value of the Group's revenue, respectively. The Group's purchase from the largest and the five largest suppliers accounted for 8.9% and 28.9% (2014: 17.3% and 45.7%) of the total value of the Group's purchases, respectively. At no time during the year did 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) have any interest in major customers or suppliers.

## CONNECTED/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 2015 are set out in note 32 to the financial statements. The disclosed related party transactions with Hong Kong Royal Furniture Holding Limited and 萬利寶(廣州)傢俱有限公司 (Wanlibao (Guangzhou) Furniture Company Limited) fall within the definition of "continuing connected transaction" in Chapter 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 13 to 18.

## 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, 19 August 2015 to Friday, 21 August 2015, 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, 18 August 2015.

## REPORT OF THE DIRECTORS

### 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

**Yim Yin Nang**  
*CHAIRMAN*

Hong Kong, 18 June 2015

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

## EXECUTIVE DIRECTORS

Mr. Yim Yin Nang (嚴賢能), aged 73, is the Chairman of our Company since 5 March 2015. He was appointed as an executive Director on 5 March 2015. He graduated from 華南農業大學 (for identification purposes, in English, South China Agricultural University) (formerly known as 華南農學院 (for identification purposes, in English, South China Agricultural College)) in July 1965. Mr. Yim worked as an engineer in 廣東省連山縣農業機械局 (for identification purposes, in English, Guangdong Lianshan Agricultural Machinery Bureau) from 1965 to 1980. Mr. Yim had over 10 years of experiences in management of the trading business of electronic components and integrated circuits. Mr. Yim is currently a director and shareholder of Platinum Tools. As at the report date, Platinum Tools, a substantial shareholder of the Company, owns 67,205,600 issued Shares, representing approximately 13.94% of the issued share capital of the Company. He is also a director of certain subsidiaries of the Company.

Mr. Chan Wing Kit (陳永傑), aged 43, 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.

Mr. Ng Wing Cheong Stephen (吳榮祥), aged 56, was appointed as an executive Director on 22 April 2015. He obtained the Certificate in Building Studies from the Vocational Training Council in July 1983 and the Endorsement Certificate in Building Studies from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1986. He is currently a fellow member of the Hong Kong Institute of Directors. Mr. Ng had over 20 years of experience in architectural industry in Hong Kong, the PRC and Canada who worked for various architectural firms responsible for residential and commercial development projects. From October 2003 to March 2013, Mr. Ng worked in a subsidiary of Wang On Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1222), and his last position was design director. Since February 2014, Mr. Ng has been the Director and business development director of Full Profit Property Services Company Limited, which is principally engaged in agency services and property management services and has become a wholly-owned subsidiary of the Company in February 2015.

Mr. Tse Woon Mo, William (謝煥武), aged 58, was the Chairman of our Company before 5 March 2015. He was appointed as an executive Director on 26 September 2013 and resigned on 5 March 2015. Mr. Tse was one of the founders of our Group and was 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 was also a director of certain subsidiaries of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Yat Cheung (吳日章), JP, aged 59, was 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 46, 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.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Chan Wai Cheung, Admiral (陳偉璋), aged 42, was appointed as an independent non-executive Director on 26 September 2013. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan 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 an executive Director of Energy International Investments Holdings Limited (stock code: 353) and independent non-executive Director of Carnival Group International Holdings Limited (stock code: 996), the shares of which are listed on the Main Board of the Stock Exchange. He is also a non-executive Director of China Nonferrous Metals Company Limited (stock code: 8306), the shares of which are listed on the GEM of the Stock Exchange.

Mr. Fung Kam Man (馮錦文), aged 51, obtained a bachelor's degree in Business Administration from the Chinese University of Hong Kong in 1987 and the degree of Master of Science in Financial Management from the University of London in 2001. Mr. Fung has been certified as a Project Management Professional by the Project Management Institute. He is a certified financial planner certified by the Institute of Financial Planners of Hong Kong Limited and the Chinese Institute of Certified Financial Planner. Mr. Fung has over 20 years of experience in the continuing education and vocational training field. He is now the head of projects of the Asian Gemmological Institute and Laboratory Limited and the executive administrator of the Chinese Institute of Certified Financial Planner.

### SENIOR MANAGEMENT

Mr. Zhang Hui Rong (張輝榮), aged 41, 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. Chui See Lai (徐思禮), aged 35, 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 the 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



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## 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 31 to 81, which comprise the consolidated and company statements of financial position as at 31 March 2015, 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.

## INDEPENDENT AUDITOR'S REPORT

### 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 2015, and of the Group's loss 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 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

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	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	8	91,166	132,994
Cost of sales		(70,278)	(96,747)
Gross profit		20,888	36,247
Other income	8	860	323
Selling and distribution expenses		(5,040)	(7,401)
Administrative expenses		(17,203)	(15,670)
Research expenses		(4,480)	(4,358)
Other operating expenses		(2,891)	—
Unrealised fair value gain on financial assets at fair value through profit or loss		1,193	—
Gain from a bargain purchase	35	574	—
Finance costs	10	—	(5)
<b>(Loss)/profit before income tax</b>	9	<b>(6,099)</b>	9,136
Income tax expense	11	(2,579)	(4,495)
<b>(Loss)/profit for the year</b>		<b>(8,678)</b>	4,641
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>			
Exchange difference arising on translation of financial statements of foreign operations		198	1,172
<b>Total comprehensive income for the year</b>		<b>(8,480)</b>	5,813
<b>(Loss)/profit for the year attributable to:</b>			
— Owners of the Company		(8,694)	4,516
— Non-controlling interests		16	125
		(8,678)	4,641
<b>Total comprehensive income for the year attributable to:</b>			
— Owners of the Company		(8,498)	5,672
— Non-controlling interests		18	141
		(8,480)	5,813
<b>(Loss)/earnings per share</b>	15		
— Basic		HK(2.04) cents	HK1.35 cents
— Diluted		N/A	N/A



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	7,779	9,430
Prepaid premium for land leases	17	8,608	8,807
Intangible assets	18	333	—
Deferred tax assets	28	457	—
Total non-current assets		17,177	18,237
<b>Current assets</b>			
Inventories	20	2,655	1,713
Intangible assets	18	1,657	—
Financial assets at fair value through profit or loss	21	2,610	—
Trade and other receivables	22	41,998	60,091
Tax receivables		525	420
Restricted bank deposits	34	5,250	—
Cash and cash equivalents	24	53,373	37,455
Total current assets		108,068	99,679
<b>Total assets</b>		<b>125,245</b>	<b>117,916</b>
<b>Current liabilities</b>			
Trade and other payables	26	19,447	25,437
Amount due to a related party	27	—	172
Tax payables		236	—
Total current liabilities		19,683	25,609
<b>Net current assets</b>		<b>88,385</b>	<b>74,070</b>
<b>Total assets less current liabilities</b>		<b>105,562</b>	<b>92,307</b>
<b>Non-current liabilities</b>			
Deferred income	26	3,312	—
Deferred tax liabilities	28	—	279
Total non-current liabilities		3,312	279
<b>Total liabilities</b>		<b>22,995</b>	<b>25,888</b>
<b>NET ASSETS</b>		<b>102,250</b>	<b>92,028</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

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	Notes	2015 HK\$'000	2014 HK\$'000
<b>EQUITY</b>			
Share capital	29	<b>12,050</b>	10,000
Reserves	30	<b>89,180</b>	81,026
Equity attributable to owners of the Company		<b>101,230</b>	91,026
Non-controlling interests		<b>1,020</b>	1,002
<b>TOTAL EQUITY</b>		<b>102,250</b>	92,028

On behalf of the Board

**Yim Yin Nang**  
Director

**Chan Wing Kit**  
Director

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interest in subsidiaries	19	52,086	52,086
<b>Current assets</b>			
Amount due from a subsidiary	25	35,447	22,987
Cash and cash equivalents	24	50	—
Total current assets		35,497	22,987
<b>Total assets</b>		<b>87,583</b>	75,073
<b>Current liabilities</b>			
Accruals and other payables	26	799	649
Amounts due to subsidiaries	25	343	296
Total current liabilities		1,142	945
<b>Net current assets</b>		<b>34,355</b>	22,042
<b>NET ASSETS</b>		<b>86,441</b>	74,128
<b>EQUITY</b>			
Share capital	29	12,050	10,000
Reserves	30	74,391	64,128
<b>TOTAL EQUITY</b>		<b>86,441</b>	74,128

On behalf of the Board

**Yim Yin Nang**  
Director

**Chan Wing Kit**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

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	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserves	Share options reserve	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
		(note 30(a))	(note 30(b))	(note 30(c))	(note 30(d))		(note 30(e))				
<b>At 1 April 2013</b>	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 29(b))	3,000	31,500	—	—	—	—	—	—	34,500	—	34,500
Share issue costs	—	(11,278)	—	—	—	—	—	—	(11,278)	—	(11,278)
Share capitalisation (note 29(c))	6,998	(6,998)	—	—	—	—	—	—	—	—	—
Capital contribution	—	—	10,207	—	—	—	—	—	10,207	—	10,207
<b>At 31 March 2014 and 1 April 2014</b>	10,000	13,224	10,207	8	6,404	—	10,211	40,972	91,026	1,002	92,028
Loss for the year	—	—	—	—	—	—	—	(8,694)	(8,694)	16	(8,678)
Other comprehensive income —											
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	196	—	196	2	198
Total comprehensive income for the year	—	—	—	—	—	—	196	(8,694)	(8,498)	18	(8,480)
Transfer to statutory reserve	—	—	—	—	174	—	—	(174)	—	—	—
Recognition of share-based payments (note 31)	—	—	—	—	—	1,476	—	—	1,476	—	1,476
Shares issued under share option scheme (note 29(e))	50	1,276	—	—	—	(442)	—	—	884	—	884
Issue of ordinary shares by placing (note 29(f))	2,000	14,342	—	—	—	—	—	—	16,342	—	16,342
<b>At 31 March 2015</b>	12,050	28,842	10,207	8	6,578	1,034	10,407	32,104	101,230	1,020	102,250

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>(Loss)/profit before income tax</b>		<b>(6,099)</b>	9,136
Adjustments for:			
Amortisation of prepaid premium for land leases	9	220	205
Amortisation of intangible assets	9	14	—
Depreciation of property, plant and equipment	9	1,284	1,251
Interest income	8	(96)	(62)
Interest expenses	10	—	5
Allowance for impairment of trade and other receivables	9	2,891	—
Gain from a bargain purchase	9	(574)	—
Loss/(gain) on disposal of property, plant and equipment	9	79	(78)
Share-based compensation expense	9	1,476	—
Unrealised fair value gain on financial assets at fair value through profit or loss		<b>(1,193)</b>	—
<b>Operating (loss)/profit before working capital changes</b>		<b>(1,998)</b>	10,457
Increase in financial assets at fair value through profit or loss		<b>(1,417)</b>	—
Decrease/(increase) in trade and other receivables		<b>15,558</b>	(23,939)
(Increase)/decrease in inventories		<b>(937)</b>	673
Decrease in amounts due from related parties		—	2,788
Decrease in trade and other payables		<b>(3,927)</b>	(5,067)
Decrease in amounts due to related parties		<b>(172)</b>	(40)
<b>Cash generated from/(used in) operations</b>		<b>7,107</b>	(15,128)
Income tax paid		<b>(3,204)</b>	(6,486)
<b>Net cash generated from/(used in) operating activities</b>		<b>3,903</b>	(21,614)
<b>Cash flows from investing activities</b>			
Interest received		96	62
Increase in restricted bank deposits		<b>(5,242)</b>	—
Acquisition of a subsidiary, net	35	<b>(492)</b>	—
Purchases of property, plant and equipment		<b>(184)</b>	(1,516)
Proceeds from disposal of property, plant and equipment		512	214
Additions to prepaid premium for land leases		—	(2,268)
<b>Net cash used in investing activities</b>		<b>(5,310)</b>	(3,508)
<b>Cash flows from financing activities</b>			
Interest paid		—	(5)
Proceeds from issue of ordinary shares		17,924	34,500
Share issue costs		<b>(698)</b>	(11,278)
Increase in amounts due to related parties	38	—	365
Drawdown of bank borrowings		—	1,261
Repayment of bank borrowings		—	(1,261)
<b>Net cash generated from financing activities</b>		<b>17,226</b>	23,582
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,819</b>	(1,540)
<b>Cash and cash equivalents at the beginning of year</b>		<b>37,455</b>	38,291
<b>Effect of foreign exchange rates, net</b>		<b>99</b>	704
<b>Cash and cash equivalents at end of year</b>		<b>53,373</b>	37,455
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		<b>53,373</b>	37,455

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 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 19 to the financial statements.

The financial statements for the year ended 31 March 2015 were approved by the board of directors on 18 June 2015.

## 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 statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 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 statement of financial position of the Group as of 31 March 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 that date.

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

### 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 AND AMENDMENTS TO THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE (THE "GEM LISTING RULES")

#### 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 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures

The adoption of these new and revised standards has no material impact on the Group's financial statements.

#### 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.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>5</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 4. ADOPTION OF NEW AND REVISED STANDARDS AND AMENDMENTS TO THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE (THE "GEM LISTING RULES") (Continued)

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

#### ***Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### ***Amendments to HKAS 27 — Equity Method in Separate Financial Statements***

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### ***HKFRS 9 (2014) — Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the finance assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

### 4. ADOPTION OF NEW AND REVISED STANDARDS AND AMENDMENTS TO THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE (THE "GEM LISTING RULES") (Continued)

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

##### **HKFRS 15 — Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors are currently assessing the potential impact of these pronouncements.

#### 4.3 Amendments to the GEM Listing Rules

The amended GEM Listing Rules in relation to the presentation and disclosures in financial statements, including the amendments with reference to the new Companies Ordinance, Cap. 622, will first apply to the Company in its financial year ending on 31 March 2016.

The directors consider that there will be no impact on the Group's financial position or performance. However the amendments to GEM Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

### 5.2 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

#### 5.3 Property, plant and equipment (Continued)

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 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of computer software is provided on a straight-line basis over its useful life of 4 years. Amortisation of property agency service contracts is provided at the time when the property agency fee is recognised as revenue in profit or loss.

Intangible assets with finite lives are tested for impairment as described in note 5.14.

#### 5.6 Research expenditure

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

#### 5.7 Leasing

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

### 5.8 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 at fair value through profit or loss are initially measured at fair value and all other 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 receivables*

These assets 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.

##### *Financial assets at fair value through profit or loss*

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

#### (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.

##### *For loans and receivables*

An impairment loss 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

### 5.8 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 amount due to a related party and subsidiaries 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

### 5.9 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.

### 5.10 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) Property management service fee and property agency fee are recognised when services are provided. However, when a specific act is much more significant than any other acts, the recognition of consultancy service income is postponed until the significant act is executed.
- (iii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

#### 5.11 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

### 5.12 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.

### 5.13 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

#### 5.14 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, intangible assets 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### 5.15 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.

#### 5.16 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

### 5.17 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### 5.18 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.

### 5.19 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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

#### 5.19 Related parties *(Continued)*

- (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.
  - (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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 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 and amortisation

The Group depreciated the property, plant and equipment and amortised the prepaid premium for land leases and the intangible assets in accordance with the accounting policies set out in notes 5.3, 5.4 and 5.5 respectively. 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 these assets.

### (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. For the year ended 31 March 2014, the Group principally operates in one business segment, which is the design, manufacture and sale of mattress and soft bed products. During the year ended 31 March 2015, due to the acquisition of a subsidiary as set out in note 35 and the securities investment operation carried out by the Group, the chief operating decision-maker has identified two more operating segments which are (i) the provision of property management and property agency services; and (ii) securities investment.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

## 7. SEGMENT REPORTING (Continued)

### (a) Reportable segments (Continued)

The segment information provided to the chief operating decision-maker for reportable segments and reconciliation of the segments total to the amounts reported by the Group in the consolidated financial statements are as follows:

#### For the year ended 31 March 2015

	Mattress and soft bed products HK\$'000	Property management and property agency services HK\$'000	Securities investment HK\$'000	Total HK\$'000
Revenue from external customers	90,077	1,089	—	91,166
Reportable segment profit	1,753	679	989	3,421
Gain from a bargain purchase				574
Share-based compensation expenses				(1,476)
Income tax expense				(1,106)
Other income				19
Unallocated corporate expenses*				(10,110)
Loss for the year				(8,678)
Segment assets	72,306	3,386	5,193	80,885
Cash and cash equivalents				44,092
Unallocated corporate assets				268
Total assets				125,245
Segment liabilities	20,053	1,133	195	21,381
Unallocated corporate liabilities				1,614
Total liabilities				22,995
Other segment information				
Interest income	77	—	—	77
Depreciation of property, plant and equipment	(1,149)	(1)	—	(1,150)
Amortisation of prepaid premium for land leases	(220)	—	—	(220)
Amortisation of intangible assets	—	(14)	—	(14)
Income tax expense	(1,237)	(41)	(195)	(1,473)
Impairment of trade and other receivables	(2,891)	—	—	(2,891)
Research expenses	(4,480)	—	—	(4,480)
Additions to non-current assets (excluding deferred tax assets and non-current assets acquired through business combination (note 35))	88	25	—	113

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**7. SEGMENT REPORTING (Continued)****(a) Reportable segments (Continued)****For the year ended 31 March 2014**

	Mattress and soft bed products HK\$'000	Property management and property agency services HK\$'000	Securities investment HK\$'000	Total HK\$'000
Revenue from external customers	132,994	—	—	132,994
Reportable segment profit	13,907	—	—	13,907
Listing expenses				(5,829)
Other income				2
Unallocated corporate expenses*				(3,439)
Profit for the year				4,641
Segment assets	97,647	—	—	97,647
Cash and cash equivalents				18,997
Unallocated corporate assets				1,272
Total assets				117,916
Segment liabilities	25,113	—	—	25,113
Unallocated corporate liabilities				775
Total liabilities				25,888
Other segment information				
Interest income	60	—	—	60
Interest expenses	(5)	—	—	(5)
Depreciation of property, plant and equipment	(1,231)	—	—	(1,231)
Amortisation of prepaid premium for land leases	(205)	—	—	(205)
Income tax expense	(4,495)	—	—	(4,495)
Research expenses	(4,358)	—	—	(4,358)
Additions to non-current assets (excluding deferred tax assets)	3,248	—	—	3,248

\* Unallocated corporate expense for the year ended 31 March 2014 and 2015 mainly included staff cost and legal and professional fees.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**7. SEGMENT REPORTING (Continued)****(b) Geographic information**

The following table provides an analysis of the Group's revenue from external customers and its non-current assets (other than deferred tax assets).

	Revenue from external customers		Non-current assets (other than deferred tax assets)	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Revenue from external customers</b>				
PRC (place of domicile)	<b>36,907</b>	80,015	<b>16,302</b>	17,705
Other countries	<b>54,259</b>	52,979	<b>418</b>	532
	<b>91,166</b>	132,994	<b>16,720</b>	18,237

**(c) Information about a major customer**

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenue:

	2015 HK\$'000	2014 HK\$'000
Customer A	<b>21,126</b>	N/A

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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**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 and services provided, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Revenue</b>		
Sales of goods	<b>90,077</b>	132,994
Property agency fee	<b>891</b>	—
Property management service fee	<b>198</b>	—
	<b>91,166</b>	132,994
<b>Other income</b>		
Interest income	<b>96</b>	62
Gain on disposal of property, plant and equipment	<b>—</b>	78
Government grants and subsidies (note (a))	<b>258</b>	—
Sales of scrap materials	<b>272</b>	—
Sundry income	<b>234</b>	183
	<b>860</b>	323

Note:

- (a) The Group received grants from the relevant PRC government authorities in support of the Group's mattress and soft bed business in the PRC. Certain grants received which had unfulfilled conditions were recognised as deferred income (note 26).



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**9. (LOSS)/PROFIT BEFORE INCOME TAX**

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

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>680</b>	650
Cost of inventories recognised as expenses	<b>70,278</b>	96,747
Listing expenses (including professional fees and other expenses)	<b>—</b>	5,829
Depreciation of property, plant and equipment	<b>1,284</b>	1,251
Amortisation of prepaid premium for land leases	<b>220</b>	205
Amortisation of intangible assets	<b>14</b>	—
Allowance for impairment of trade and other receivables	<b>2,891</b>	—
Gain from a bargain purchase	<b>(574)</b>	—
Operating lease charges on rented premises	<b>144</b>	442
Loss/(gain) on disposal of property, plant and equipment	<b>79</b>	(78)
Net foreign exchange loss	<b>70</b>	187
Staff costs (including directors' remuneration):		
— Wages, salaries and bonus	<b>12,311</b>	11,111
— Contribution to defined contribution plans	<b>1,772</b>	711
— Share-based compensation expense	<b>1,476</b>	—
	<b>15,559</b>	11,822

**10. FINANCE COSTS**

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Interest of bank borrowings repayable within one year	<b>—</b>	5

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 11. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax – PRC	3,080	4,504
Current tax – Hong Kong	236	—
Deferred tax current year	(737)	(9)
Income tax expense	2,579	4,495

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.

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the year ended 31 March 2015. No Hong Kong profits tax was provided for the year ended 31 March 2014 as the Group did not have assessable profit arising or derived from Hong Kong during the year.

Enterprise income tax arising from subsidiary operated in the PRC for the year was calculated at 25% (2014: 25%) of the estimated assessable profits during the year.

During the year ended 31 March 2015, 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 approximately HK\$1,106,000.

\* The English name is for identification only

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

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit before income tax	(6,099)	9,136
Tax on profit at applicable tax rates	(754)	3,071
Effect of expenses not deductible for tax purpose	2,271	1,369
Effect of income not taxable for tax purpose	(98)	—
PRC withholding tax	1,106	—
Others	54	55
Income tax expense for the year	2,579	4,495

Deferred tax liabilities as at 31 March 2015 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\$11,484,000 (2014: HK\$32,461,000) 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

## 12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

## Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Pension contribution HK\$'000	Share-based compensation expense HK\$'000	Total HK\$'000
<b>Year ended 31 March 2015</b>					
<i>Executive directors:</i>					
Mr. Tse Woon Mo, William*	88	938	—	—	1,026
Mr. Chan Wing Kit	150	1,574	15	884	2,623
Mr. Yim Yin Nang*	16	—	—	—	16
<i>Independent non-executive directors:</i>					
Mr. Ng Yat Cheung	150	—	—	—	150
Mr. Zhu Xiaobing	150	—	—	—	150
Mr. Chan Wai Cheung, Admiral	150	—	—	—	150
	<b>704</b>	<b>2,512</b>	<b>15</b>	<b>884</b>	<b>4,115</b>

\* On 5 March 2015, Mr. Tse Woon Mo, William, resigned and Mr. Yim Yin Nang was appointed on the same date.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### Five highest paid individuals

The five highest paid individuals consisted of 2 (2014: 2) directors of the Company for the year ended 31 March 2015. Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2014:3) highest paid individuals for the year ended 31 March 2015 are as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Salaries, allowances and benefits in kind	<b>1,561</b>	727
Retirement benefits - defined contribution plans	<b>23</b>	75
<b>Total</b>	<b>1,584</b>	802

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

	<b>Number of individuals</b>	
	<b>2015</b>	2014
Nil - HK\$1,000,000	<b>3</b>	4
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	1
HK\$1,500,001 - HK\$2,000,000	—	—
HK\$2,000,001 - HK\$2,500,000	—	—
HK\$2,500,001 - HK\$3,000,000	<b>1</b>	—

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: 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 (2014: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. DIVIDENDS

No dividend has been declared by the Company during the year (2014: Nil).

### 14. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Loss)/profit attributable to owners of the Company includes a loss of approximately HK\$6,389,000 (2014: HK\$1,120,000) which has been dealt with in the financial statements of the Company.

### 15. (LOSS)/EARNINGS PER SHARE

<b>(Loss)/earnings</b>	<b>2015 HK\$'000</b>	2014 HK\$'000
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	<b>(8,694)</b>	4,516
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	<b>425,430</b>	335,233
Effect of dilutive potential ordinary shares - share options	<b>N/A</b>	N/A
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	<b>N/A</b>	N/A

The weighted average number of shares, after the adjustment on share subdivision (note 29(d)), 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 of shares (note 29(b)), in addition to the 280,000,000 shares which represent the number of shares of the Company immediately after the Reorganisation and the capitalisation issue (note 29(c)), but excluding any shares issued pursuant to the placing of shares (note 29(b)), as if the 280,000,000 shares had been in issue throughout the year.

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

No diluted loss per share has been presented for the year ended 31 March 2015 because the exercise price of the Company's share options was higher than the average market price for shares during the period when the options were outstanding.

## NOTES TO THE FINANCIAL STATEMENTS

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## 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
<b>Cost</b>					
At 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 and 1 April 2014	6,245	8,369	484	2,013	17,111
Acquisition of a subsidiary (note 35)	—	—	22	—	22
Additions	—	76	108	—	184
Disposals	—	—	(7)	(753)	(760)
Exchange realignment	16	21	1	3	41
At 31 March 2015	6,261	8,466	608	1,263	16,598
<b>Accumulated depreciation</b>					
At 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 and 1 April 2014	2,199	4,178	406	898	7,681
Acquisition of a subsidiary (note 35)	—	—	3	—	3
Depreciation	281	673	54	276	1,284
Write back on disposals	—	—	(7)	(162)	(169)
Exchange realignment	6	11	1	2	20
At 31 March 2015	2,486	4,862	457	1,014	8,819
<b>Net book amount</b>					
At 31 March 2015	3,775	3,604	151	249	7,779
At 31 March 2014	4,046	4,191	78	1,115	9,430

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

## 17. PREPAID PREMIUM FOR LAND LEASES

	<b>Group</b> HK\$'000
At 1 April 2013	6,633
Additions	2,268
Amortisation	(205)
Exchange realignment	111
At 31 March 2014 and 1 April 2014	8,807
Amortisation	(220)
Exchange realignment	21
At 31 March 2015	8,608

The lands are located in the PRC and are held under medium-term lease. The Group is in the process of obtaining land use right certificates for lands with carrying value amounted to approximately HK\$2,835,000 as at 31 March 2015 (2014: HK\$2,901,000). As confirmed by the Group's PRC legal adviser, there is no legal impediment for the Group to obtain these land use right certificates.

## 18. INTANGIBLE ASSETS

**Group**

	<b>Computer software*</b> HK\$'000	<b>Property agency service contracts#</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2013, 31 March 2014 and 1 April 2014	—	—	—
Acquisition of a subsidiary (note 35)	347	1,657	2,004
Amortisation	(14)	—	(14)
At 31 March 2015	333	1,657	1,990

\* The balance was included in non-current assets.

# The balance was included in current assets.

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## 19. INTEREST IN SUBSIDIARIES

	Company	
	2015 HK\$'000	2014 HK\$'000
Unlisted shares, at cost	52,086	52,086

Particulars of the subsidiaries as at 31 March 2015 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest		Place of operation and principal activities
			direct	indirect	
<b>Limited liability company</b>					
Colourful Focus Limited* ("Colourful Focus")	British Virgin Islands ("BVI")	Share capital — US\$1	100%	—	Investment holding in BVI
Jia Meng Limited	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Oasis Rainbow Investment Holdings Limited*	BVI	Share capital — US\$1	—	100%	Investment holding in BVI
Sunhine Wealthy Limited	BVI	Share capital — US\$1	—	100%	Investment holding in BVI
Earn Million Limited*	Hong Kong	Share capital — HK\$1	—	100%	Securities investment in Hong Kong



## NOTES TO THE FINANCIAL STATEMENTS

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## 19. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest		Place of operation and principal activities
			direct	indirect	
Full Profit Property Services Company Limited ("Full Profit") <sup>*</sup>	Hong Kong	Share capital — HK\$1	—	100%	Provision of property management and property agency services in Hong Kong
Grandeur	Hong Kong	Share capital — HK\$10,000	—	100%	Investment holding in Hong Kong
Jia Meng Healthy Bedding (Overseas) Company Limited	Hong Kong	Share capital — US\$1,000	—	99%	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
廣州馨悅家寢具有限公司 <sup>*</sup>	PRC	Paid-up capital — nil <sup>^</sup>	—	100%	Manufacturing of home furniture-mattress, soft bed and healthy concept products in the PRC

\* The companies were newly incorporated during the year.

<sup>#</sup> The company was acquired in February 2015 (note 35).

<sup>^</sup> Total registered capital is RMB5,000,000 which shall be contributed by the subsidiary of the Company, Oasis Rainbow Investment Holdings Limited, on or before 24 November 2016.

## 20. INVENTORIES

	Group	
	2015 HK\$'000	2014 HK\$'000
Raw materials	1,841	1,450
Work in progress	197	181
Finished goods	617	82
	<b>2,655</b>	1,713

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group	
	2015 HK\$'000	2014 HK\$'000
Listed equity securities in Hong Kong, at market value	2,610	—

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.

**22. TRADE AND OTHER RECEIVABLES**

	Group	
	2015 HK\$'000	2014 HK\$'000
Trade receivables	27,975	46,892
Other receivables	13,144	11,995
Prepayments	879	1,204
	<b>41,998</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 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	
	2015 HK\$'000	2014 HK\$'000
Within 3 months	6,927	9,178
More than 3 months	21,048	37,714
	<b>27,975</b>	46,892

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

	Group	
	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	6,927	9,178
Less than 1 month past due	6,491	12,314
1 to 3 months past due	6,463	15,664
4 to 6 months past due	536	6,864
More than 6 months past due	7,558	2,872
	<b>27,975</b>	46,892

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**22. TRADE AND OTHER RECEIVABLES (Continued)**

The below table reconciled the impairment loss of trade receivables for the year:

	Group	
	2015 HK\$'000	2014 HK\$'000
At 1 April	—	—
Impairment loss recognised	2,891	—
Exchange realignment	5	—
At 31 March	2,896	—

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

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.

**23. AMOUNT DUE FROM A RELATED PARTY****Group**

Details of the amount due from a related party are as follows:

	Maximum amount outstanding during the year HK\$'000	Opening outstanding balance HK\$'000	Closing outstanding balance HK\$'000
<b>At 31 March 2014</b>			
萬利寶(廣州)傢俱有限公司 (Wanlibao (Guangzhou) Furniture Company Limited*) ("Wanlibao") (note)	2,737	2,737	—

\* The English name is for identification purpose only

Note: Royale Furniture Holdings Limited ("Royale") was a beneficial shareholder of Grandeur and the Company before and after the Reorganisation respectively with significant influence. Since 27 June 2014, Royale ceased to be a beneficial shareholder of the Company with significant influence.

Wanlibao is a wholly-own subsidiary of Royale.

The above balance due was unsecured, non-interest bearing and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. CASH AND CASH EQUIVALENTS

### Group and Company

Cash at banks and cash held in a securities account maintained in a securities company 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\$11,644,000 as at 31 March 2015 which are denominated in Reminbi ("RMB") (2014: HK\$18,277,000). RMB is not a freely convertible currency.

## 25. AMOUNTS DUE FROM/TO SUBSIDIARIES

### Company

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

## 26. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Current liabilities</b>				
Trade payables	8,838	14,208	—	—
Accruals and other payables	5,741	4,954	799	649
Receipt in advance	4,489	6,275	—	—
Deferred income (note 8(a))	379	—	—	—
	<b>19,447</b>	<b>25,437</b>	<b>799</b>	<b>649</b>
<b>Non-current liabilities</b>				
Deferred income (note 8(a))	3,312	—	—	—

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

	Group	
	2015 HK\$'000	2014 HK\$'000
Within 3 months	1,867	12,132
More than 3 months	6,971	2,076
	<b>8,838</b>	<b>14,208</b>

## 27. AMOUNT DUE TO A RELATED PARTY

As at 31 March 2014, the amount was due to a subsidiary of Royale. The balance due to a related party was unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

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**28. DEFERRED TAX ASSETS/(LIABILITIES)****Group**

	<b>Provision of impairment for trade and other receivables</b>	<b>Revaluation of property</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
1 April 2013	—	(283)	(283)
Credit to profit or loss for the year	—	9	9
Exchange realignment	—	(5)	(5)
At 31 March 2014 and 1 April 2014	—	(279)	(279)
Credit to profit or loss for the year	723	14	737
Exchange realignment	—	(1)	(1)
At 31 March 2015	723	(266)	457

**29. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Amount</b>
	'000	HK\$'000
<b>Authorised:</b>		
At 1 April 2013, 31 March 2014 and 1 April 2014, ordinary shares of HK\$0.1 each	300,000	30,000
Share subdivision (note (d))	900,000	—
At 31 March 2015, ordinary shares of HK\$0.025 each	1,200,000	30,000
<b>Issued and fully paid:</b>		
At 1 April 2013, ordinary shares of HK\$0.1 each	10	1
Issue of ordinary shares pursuant to the Reorganisation (note (a))	10	1
Issue of ordinary shares by placing (note (b))	30,000	3,000
Shares capitalisation (note (c))	69,980	6,998
At 31 March 2014 and 1 April 2014, ordinary shares of HK\$0.1 each	100,000	10,000
Share subdivision (note (d))	300,000	—
Shares issued under share option scheme (note (e))	2,000	50
Issue of ordinary shares by placing (note (f))	80,000	2,000
At 31 March 2015, ordinary shares of HK\$0.025 each	482,000	12,050

Notes:

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

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## 29. SHARE CAPITAL (Continued)

Notes: (Continued)

- (c) 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.
- (d) 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.
- (e) On 12 September 2014, the Company issued and allotted 2,000,000 shares pursuant to the exercise of share options under the share option scheme as set out in note 31 to the financial statements to a director with the issue price of HK\$0.442 per share.
- (f) In connection with the placing, an aggregate of 80,000,000 new ordinary shares of HK\$0.025 each were issued at a price of HK\$0.213 per share on 11 December 2014.

## 30. 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 35.

#### (a) Share premium

The share premium account of the Group mainly 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 statute.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**30. RESERVES (Continued)****Company**

	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 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 29(b))	31,500	—	—	—	31,500
Share issue costs	(11,278)	—	—	—	(11,278)
Share capitalisation (note 29(c))	(6,998)	—	—	—	(6,998)
Issue of shares pursuant to the Reorganisation (note)	—	52,085	—	—	52,085
At 31 March 2014 and 1 April 2014	13,224	52,085	—	(1,181)	64,128
Loss for the year	—	—	—	(6,389)	(6,389)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(6,389)	(6,389)
Recognition of share-based payments (note 31)	—	—	1,476	—	1,476
Shares issued under share-option scheme (note 29(e))	1,276	—	(442)	—	834
Shares issued by placing (note 29(f))	14,342	—	—	—	14,342
At 31 March 2015	28,842	52,085	1,034	(7,570)	74,391

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.

## NOTES TO THE FINANCIAL STATEMENTS

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**31. SHARE OPTION SCHEME**

On 4 September 2014, the Company granted to certain eligible participants a total of 8,000,000 share options to subscribe for ordinary shares of HK\$0.025 each in the share capital of the Company under the share option scheme adopted by the Company on 22 August 2014. The exercisable period of the share options granted are from 4 September 2014 to 3 September 2016 (both dates inclusive).

Grantees	Number of share options				Outstanding at 31 March 2015	Exercise price
	Outstanding at 1 April 2014	Granted during the year	Lapsed during the year	Exercised during the year		
Mr. Chan Wing Kit	—	4,000,000	—	(2,000,000)	2,000,000	HK\$0.442
An employee	—	4,000,000	—	—	4,000,000	HK\$0.442
	—	8,000,000	—	(2,000,000)	6,000,000	

The weighted average exercise price of share options outstanding at the end of the year is HK\$0.442 and their remaining contractual life was approximately 17 months. All share options outstanding at the end of the year had vested and were exercisable. The fair value of the share options granted during the year ended 31 March 2015, valued as at the grant date, was HK\$1,476,000 which was also the amount of share-based compensation expense included in the consolidated statement of comprehensive income for the year ended 31 March 2015.

The following significant assumptions were used to derive the fair value, under Binomial Option Pricing Model, of the share options granted during the year ended 31 March 2015:

	Mr. Chan Wing Kit	An employee
Risk free rate (note (a))	0.44%	0.44%
Annualised dividend yield	nil	nil
Expected volatility (note (b))	139.67%	139.67%
Exercise multiple (note (c))	2.47	1.60

Notes:

- (a) The risk free rate is based on the yield of Hong Kong Exchange Fund Note yield.
- (b) The expected volatility is estimated by the historical volatility of the Company's share price over the most recent period.
- (c) This is the exercise multiple derived from the relevant paper in relation to the possibility of early exercise of share options.



## NOTES TO THE FINANCIAL STATEMENTS

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**32. 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	
		2015 HK\$'000	2014 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	182	756
廣州裕發傢俱有限公司 (Guangzhou Yufa Furniture Company Limited*) ("Yufa") (note (ii))	Sales of goods to	N/A	160
Wanlibao	Sales of goods to	—	354

\* The English name is for identification only

Notes:

(i) HK Royal Furniture was a shareholder of Grandeur and the Company before and after the Reorganisation respectively with significant influence. It is also a wholly-owned subsidiary of Royale. Since 27 June 2014, HK Royal Furniture ceased to be a shareholder of the Company with significant influence.

Total licence fees paid to HK Royal Furniture and Wanlibao during the year ended 31 March 2015 amounted to approximately HK\$756,000. Among this, approximately HK\$182,000 was disclosed as related party transaction.

(ii) Yufa 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:

	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	4,878	2,520
Pension costs - defined contribution plan	51	63
	<b>4,929</b>	2,583

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## 33. 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	
	2015 HK\$'000	2014 HK\$'000
Within one year	245	49
Within two to five years	61	—
	<b>306</b>	49

## 34. CONTINGENT LIABILITIES

During the year ended 31 March 2015, Guangdong Jia Meng refused to settle the amount of approximately HK\$5,167,000 (the "Debt") to a supplier (the "Supplier") due to quality problems of the raw materials supplied by it. On 18 July 2014, the Supplier lodged a litigation to 廣州市增城區人民法院 (the "Court") against Guangdong Jia Meng to claim for the settlement plus accrued interest and related legal costs. On 11 February 2015, a court order (the "Court Order") was issued pursuant to which bank deposits (the "Bank Deposits") of Guangdong Jia Meng amounted to approximately HK\$5,250,000 was frozen.

The directors, based on legal advice, believe that Guangdong Jia Meng has legal and factual grounds to defend and have filed the defense and counterclaim to the Court on 11 September 2014 requesting the Supplier to compensate the losses suffered by Guangdong Jia Meng and damage to the Group's brand name as a result of the poor quality of raw materials supplied by the Supplier.

In case where Guangdong Jia Meng ultimately loses in the proceedings, it may have to settle the Debt to the Supplier, which has already been recorded as trade payables in the consolidated financial statements, plus accrued interest and related legal costs. The proceedings are ongoing up to the date of issuance of these consolidated financial statements and the outcome is subject to uncertainties. The directors of the Company consider that no provision is required at this stage of the proceedings in accordance with the Group's relevant accounting policy.

Pursuant to the Court Order, the freeze of Bank Deposits will end on 10 February 2016. As such, it is classified as restricted bank deposits under current asset as at 31 March 2015. The Bank Deposits frozen carry interest at floating rates based on daily bank deposit rate.

## 35. ACQUISITION OF A SUBSIDIARY

On 11 February 2015, the Group acquired the entire equity interest of Full Profit, which is a company incorporated in Hong Kong and principally engaged in the provision of property management and property agency services in Hong Kong, at a consideration of HK\$1,000,000 by cash.

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**35. ACQUISITION OF A SUBSIDIARY (Continued)**

The acquisition was made with the aim to diversify the current operation of the Group. Details of the net assets acquired and gain from a bargain purchase arising on acquisition are as follows:

	HK\$'000
Purchase consideration	
Cash	1,000
Fair value of net assets acquired	(1,574)
Gain from a bargain purchase	(574)

The fair value of identifiable assets and liabilities of Full Profit as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	19
Intangible assets	2,004
Cash and cash equivalents	508
Trade and other receivables	244
Accruals and other payables	(1,201)
Net assets acquired	1,574

An analysis of net cash outflow in respect of the acquisition is as follows:

	HK\$'000
Cash consideration	(1,000)
Cash and cash equivalents acquired	508
Net cash outflow for the year ended 31 March 2015	(492)

Notes:

The gain from a bargain purchase on acquisition of approximately HK\$574,000 was mainly attributable to the difference between the perceived value of the incomplete property agency service contracts (note 18) estimated by the vendor and that estimated by the Group's independent professional valuers.

The fair value of trade and other receivables amounted to HK\$244,000. The gross amount of these receivables is HK\$244,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Full Profit has contributed revenue and profit after tax of approximately HK\$1,089,000 and HK\$679,000 respectively to the Group. If the acquisition had occurred on 1 April 2014, the Group's revenue and loss after tax would have been approximately HK\$94,230,000 and HK\$8,759,000 respectively for the year ended 31 March 2015. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material. They have been expensed and are included in administrative expenses.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36. 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, interest rate risk and price 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.

### 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>				
Financial assets				
at fair value through profit or loss	<b>2,610</b>	—	—	—
Loans and receivables:				
Trade and other receivables	<b>41,119</b>	58,887	—	—
Amount due from a subsidiary	—	—	<b>35,447</b>	22,987
Restricted bank deposits	<b>5,250</b>	—	—	—
Cash and cash equivalents	<b>53,373</b>	37,455	<b>50</b>	—
	<b>102,352</b>	96,342	<b>35,497</b>	22,987
<b>Financial liabilities</b>				
Financial liabilities at amortised costs:				
Trade and other payables	<b>14,579</b>	19,162	<b>799</b>	649
Amounts due to subsidiaries	—	—	<b>343</b>	296
Amount due to a related party	—	172	—	—
	<b>14,579</b>	19,334	<b>1,142</b>	945

## NOTES TO THE FINANCIAL STATEMENTS

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### 36. FINANCIAL RISK MANAGEMENT (Continued)

#### 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 and cash held in a securities account maintained in a securities company. 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 24 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's loss/profit for the year, and other components of equity due to a possible change in interest rates on its floating rate bank deposits and cash held in a securities account maintained in a securities company 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	
	2015 HK\$'000	2014 HK\$'000
<b>Increase/(decrease) in loss/profit for the year and retained profits</b>		
Increase/decrease in basis points ("bp")		
+ 50 bp	(278)	148
- 50 bp	278	(148)

The above sensitivity analysis is prepared based on the assumption that the bank deposits and cash held in a securities account maintained in a securities company 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The financial assets at fair value through profit or loss, which represent the Group's investments in listed equity securities in Hong Kong, expose the Group to price risk.

The sensitivity analysis on price risk includes the Group's financial instruments which fair value or future cash flows will fluctuate because of changes in their corresponding price. If the prices of the respective equity instruments had been 10% higher/lower, the Group's loss after income tax would decrease/increase by approximately HK\$218,000 while the Group's retained earnings would increase/decrease by the same amount.

### 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 22 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.

## NOTES TO THE FINANCIAL STATEMENTS

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**36. 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.

	<b>Within 3 months or on demand</b> HK\$'000	<b>Group Total undiscounted amount</b> HK\$'000	<b>Carrying amount</b> HK\$'000
<b>At 31 March 2015</b>			
Trade and other payables	<b>14,579</b>	<b>14,579</b>	<b>14,579</b>
<b>At 31 March 2014</b>			
Trade and other payables	19,162	19,162	19,162
Amount due to a related party	172	172	172
	19,334	19,334	19,334
	<b>Within 3 months or on demand</b> HK\$'000	<b>Company Total undiscounted amount</b> HK\$'000	<b>Carrying amount</b> HK\$'000
<b>At 31 March 2015</b>			
Accruals and other payables	<b>799</b>	<b>799</b>	<b>799</b>
Amounts due to subsidiaries	<b>343</b>	<b>343</b>	<b>343</b>
	<b>1,142</b>	<b>1,142</b>	<b>1,142</b>
<b>At 31 March 2014</b>			
Accruals and other payables	649	649	649
Amount due to a subsidiary	296	296	296
	945	945	945

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

**36. FINANCIAL RISK MANAGEMENT (Continued)****Financial instruments not measured at fair value**

Except for the Group's financial assets at fair value through profit or loss which are measured at fair value, the fair values of the Group's and Company's financial assets and liabilities as at 31 March 2014 and 2015 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

**Financial instruments measured at fair value**

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

At 31 March 2014, there were no financial assets or liabilities measured at fair value. At 31 March 2015, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	<b>Group</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	2,610	—	—	2,610

There have been no significant transfers between the levels in the reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

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### 37. 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade and other payables	22,759	25,437	799	649
Amount due to a related party	—	172	—	—
Amounts due to subsidiaries	—	—	343	296
	22,759	25,609	1,142	945
<i>Less: Cash and cash equivalents</i>	<b>53,373</b>	37,455	<b>50</b>	—
Net debt	<b>n/a</b>	n/a	<b>1,092</b>	945
Equity	<b>102,250</b>	92,028	<b>86,441</b>	74,128
Net debt to equity ratio	<b>n/a</b>	n/a	<b>1%</b>	1%

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.

### 38. 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 30(b)).

# NOTES TO THE FINANCIAL STATEMENTS

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## 39. EVENTS AFTER THE REPORTING DATE

- (a) On 24 April 2015, an aggregate of 96,400,000 placing shares have been successfully placed to not less than six places at the placing price of HK\$0.154 per placing share. The net proceeds from the placing are approximately HK\$14.2 million.
- (b) On 9 June 2015, the Company proposed to raise not less than approximately HK\$208.2 million and not more than approximately HK\$208.9 million, before expenses, by way of a rights issue (the "Proposed Rights Issue") on the basis of three rights shares for every one existing share held on the record date at the subscription price of HK\$0.12 per rights share. Up to the date of issuance of these consolidated financial statements, the Proposed Rights Issue has not yet completed. The details of the Proposed Rights Issue are set out in the announcement of the Company dated 9 June 2015.
- (c) On 20 April 2015, Grandeur entered into a memorandum of understanding (the "MOU") with a prospective seller pursuant to which Grandeur has agreed to pay the sum of HK\$15,000,000 as earnest money in cash to the prospective seller upon the signing of the MOU as partial payment of the consideration for the possible acquisition of the entire equity interest of a target company which is principally engaged in retailing branded mattresses through various furniture outlets in Hong Kong. Up to the date of issuance of these consolidated financial statements, the possible acquisition has not yet completed. The details of the possible acquisition are set out in the announcement of the Company dated 20 April 2015.
- (d) On 21 April 2015, Colourful Focus entered into an agreement with a vendor pursuant to which Colourful Focus conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at the consideration of HK\$24,000,000. The principal business of the target company is properties holding. Up to the date of issuance of these consolidated financial statements, the possible acquisition has not yet completed. The details of the possible acquisition are set out in the announcement of the Company dated 21 April 2015.

## FOUR YEAR FINANCIAL SUMMARY

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

### RESULTS

	2015 HK\$'000	For the year ended 31 March		
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	<b>91,166</b>	132,994	127,871	122,031
Cost of sales	<b>(70,278)</b>	(96,747)	(90,928)	(86,653)
Gross profit	<b>20,888</b>	36,247	36,943	35,378
Other income	<b>860</b>	323	538	1,110
Selling and distribution expenses	<b>(5,040)</b>	(7,401)	(6,939)	(6,188)
Administrative expenses	<b>(17,203)</b>	(15,670)	(9,191)	(6,357)
Research expenses	<b>(4,480)</b>	(4,358)	(3,876)	(4,444)
Other operating expenses	<b>(2,891)</b>	—	—	—
Unrealised fair value gain on financial assets at fair value through profit or loss	<b>1,193</b>	—	—	—
Gain from a bargain purchase	<b>574</b>	—	—	—
Finance costs	<b>—</b>	(5)	(18)	(374)
<b>(Loss)/profit before income tax</b>	<b>(6,099)</b>	9,136	17,457	19,125
Income tax expense	<b>(2,579)</b>	(4,495)	(6,840)	(3,347)
<b>(Loss)/profit for the year</b>	<b>(8,678)</b>	4,641	10,617	15,778
<b>(Loss)/profit for the year attributable to:</b>				
— Owners of the Company	<b>(8,694)</b>	4,516	10,469	15,633
— Non-controlling interests	<b>16</b>	125	148	145
	<b>(8,678)</b>	4,641	10,617	15,778

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2015 HK\$'000	As at 31 March		
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
TOTAL ASSETS	<b>125,245</b>	117,916	94,687	96,548
TOTAL LIABILITIES	<b>(22,995)</b>	(25,888)	(41,901)	(54,642)
NON-CONTROLLING INTERESTS	<b>(1,020)</b>	(1,002)	(861)	(704)
	<b>101,230</b>	91,026	51,925	41,202