

# JIA MENG HOLDINGS LIMITED

## 家夢控股有限公司

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

Stock Code: 8101

Annual Report

2016

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*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

## PRC OFFICE

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

## HONG KONG OFFICE

Room 602, New World Tower 1,  
16-18 Queen's Road Central, Central,  
Hong Kong

## WEBSITE

www.jmbedding.com

## BOARD OF DIRECTORS

### Executive Directors

Mr. Hung Cho Sing (*Chairman*) (*appointed on 23 May 2016*)  
Mr. Yim Yin Nang  
Mr. Chan Wing Kit (*Chief Executive Officer*)  
(*resigned on 26 January 2016*)  
Mr. Ng Wing Cheong, Stephen (*appointed on 22 April 2015*)  
(*resigned on 8 January 2016*)  
Mr. Wong Siu Ki (*appointed on 15 December 2015*)  
Mr. Matthew Chung (*appointed on 11 April 2016*)

### Independent Non-executive Directors

Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Fung Kam Man (*appointed on 1 April 2015*)  
Mr. Au-Yeung Hau Cheong (*appointed on 22 August 2015*,  
*retired and re-appointed on 9 September 2015*)  
(*resigned on 11 April 2016*)  
Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Mr. Ng Yat Cheung, JP (*resigned on 22 August 2015*)  
Mr. Zhu Xiaobing (*resigned on 22 August 2015*)

### AUTHORISED REPRESENTATIVES

Mr. Wong Siu Ki (*appointed on 8 January 2016*)  
Mr. Wong King Chung (*appointed on 13 October 2015*)  
Mr. Ng Wing Cheong, Stephen (*appointed on 13 October 2015*)  
(*resigned on 8 January 2016*)  
Mr. Chan Wing Kit (*resigned on 13 October 2015*)  
Mr. Chui See Lai (*resigned on 13 October 2015*)

### COMPANY SECRETARY

Mr. Wong King Chung (*appointed on 13 October 2015*)  
Mr. Chui See Lai (*resigned on 13 October 2015*)

### COMPLIANCE OFFICER

Mr. Wong King Chung (*appointed on 13 October 2015*)  
Mr. Chui See Lai (*resigned on 13 October 2015*)

### AUDIT COMMITTEE

Mr. Chan Chun Wing (*Chairman*) (*appointed on 23 May 2016*)  
Mr. Fung Kam Man (*appointed on 1 April 2015*)  
Mr. Au-Yeung Hau Cheong (*appointed on 22 August 2015*,  
*retired and re-appointed on 9 September 2015*)  
(*resigned on 11 April 2016*)  
Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Ng Yat Cheung, JP (*resigned on 22 August 2015*)  
Mr. Zhu Xiaobing (*resigned on 22 August 2015*)

## NOMINATION COMMITTEE

Mr. Tang Kin Chor (*Chairman*) (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Mr. Fung Kam Man (*appointed on 1 April 2015*)  
Mr. Au-Yeung Hau Cheong (*appointed on 22 August 2015*,  
*retired and re-appointed on 9 September 2015*)  
(*resigned on 11 April 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Ng Yat Cheung, JP (*resigned on 22 August 2015*)  
Mr. Zhu Xiaobing (*resigned on 22 August 2015*)

## REMUNERATION COMMITTEE

Mr. Fung Kam Man (*Chairman*) (*appointed on 1 April 2015*)  
Mr. Au-Yeung Hau Cheong (*appointed on 22 August 2015*,  
*retired and re-appointed on 9 September 2015*)  
(*resigned on 11 April 2016*)  
Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Ng Yat Cheung, JP (*resigned on 22 August 2015*)  
Mr. Zhu Xiaobing (*resigned on 22 August 2015*)

## COMPLIANCE ADVISER

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

## AUDITOR

Elite Partners CPA Limited (*appointed on 12 April 2016*)  
BDO LIMITED (*resigned on 12 April 2015*)

## 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)  
Bank of Communications (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 2016 (the "Year").

## INDUSTRY REVIEW

In the year 2015, the Group has experienced one of a most challenging year since it's listing in 2013. The world economy is beset by feeble growth and a weak recovery. China market was confronted with numerous challenges such as slowdown in economic growth, RMB depreciation and real estate de-stocking in third and fourth tier cities.

For the year ended 31 December 2015, PRC's gross domestic product annual growth rate was at 6.9% which was lower than the rate at 7.5% for the year ended 31 December 2014 and further lower than the rate 7.7% for the year ended 31 December 2013. The challenging economic environment and weak consumer demand has continued affect the furnishing and bedding business of the Group. Despite of all the adversities, the Group's mattress and soft bed products business in PRC has overcome lots of difficulties and maintained a steady sales momentum during the period of review. Unfortunately, both turnover and net profit from mattress and soft bed segment was inevitably decreased. The trade receivable cycle has also been prolonged in order to facilitate customers who have financial difficulties. Hence, the credit risk was inevitably increased. The results for the mattress and soft bed products segment has recorded a net loss of approximately HK\$10.1 million for the Year, which was a tremendous decreased from 2015 net profit of approximately HK\$1.8 million. The turnover was 36.85% decreased from approximately HK\$90.1 million in 2015 to approximately HK\$56.9 million for the Year. And, it was the only loss-making segment of the Group for the Year.

The Group's overall turnover decreased by approximately HK\$27.2 million from approximately HK\$91.1 million in 2015 to approximately HK\$63.9 million for the Year. And the overall net loss of the Group has improved by HK\$2.3 million from a loss of approximately HK\$8.7 million in 2015 to a loss of approximately HK\$6.3 million for the Year. The overall unfavourable performance of the Group was mainly attributable to bad debt provision of approximately HK\$8.6 million made for the mattress and soft bedding product business during the Year.

In view that China will continue to face downward pressure in its economy performance. The Group had took considerable measure to diversify Company's strategic investment direction. In that respect, the Group had diverted part of it's financial resources into following new businesses:

### Securities Trading:

The Group has started its securities investment since December 2014, but the first trading transaction started in May 2015. During the period of review, this business segment has recorded segment profit of approximately HK\$5.0 million. The income of the segment is predominantly the fair value gain on financial assets at fair value through profit or loss. Which is approximately HK\$12.9 million for the Year, This comprise realised and unrealised fair value gain approximately HK\$10.0 million and approximately HK\$2.9 million respectively.

### Property Agency and Property Management:

During the year, the property agency and property management business segment had recorded net profit of approximately HK\$3.0 million before its discontinuation. Giving concern to the continuing sluggish performance of the overall property market in Hong Kong, the management foresee the income for property related services would be adversely affected. As a result, the Group decided to dispose the business on 30 December 2015 to seek for better investment alternatives despite of the fact that the business had shown profit result.

**Property Investment:**

The other new business segment that the company had invested during the year was property investment. During the year, the Group acquired entire equity interest of China Universal Limited, which is a company that owned three investment properties valued at approximately HK\$24 million. Despite of the steady rental income it had generated, the comparatively low capital appreciation's potential of these properties became a concern to the management. While the general property market in Hong Kong continued to be sluggish and the property price in non-core areas were kept on falling, the property price in prime location such as Central and other core areas in Hong Kong were raising up on the contrary. Rental vacancy rate in these areas was also low. The management realised that the Group has to be particularly careful in its choice of property, especially choosing a property in good location. Due to the limitation on financial resources, the Group decided to restrict its real estate investment to property located only in core areas in Hong Kong. Eventually, the Group had disposed China Universal Limited during the Year and switched its investment to another property that was located in more favourable core location. Subsequent to the Year end, the Group had further entered into an agreement on 19 May 2016 through its wholly owned subsidiary Aim Extreme Limited to purchase a company that owned an investment property value at HK\$158 million which constituted a "major" transaction that required shareholders' approval in EGM. This shows the unwavering confident that we have toward the properties in Hong Kong.

**OUTLOOK AND FUTURE PROSPECTS**

Looking forward, there are numbers of international political and economic issues remain uncertain and posted a great treats to the global economy. In U.S. despite the Federal Reserve left monetary policy unchanged recently, low bond yields suggest markets see entrenched economic problems that will be tough to overcome. U.S. interest rate trend will continue to be an important influential factor to the development of the global economy. On the other hand, the results of U.K.'s European Union membership referendum and the results of the U.S. presidential election this year could very much be a mega "black swan" this year. Governments and market in general may not be well prepared enough to handle the unexpected. Further market turbulence is expected.

In China, despite the Government had devoted their effort to mitigate unfavourable conditions and had took radical measures to regulate the market and try to restore optimum structures for various industries, it is believed that the intended transformation would need longer time to complete and the business environment confronting the furnishing and bedding business is inevitably to be as challenging as the previous two years.

During the time of global economic turbulence, adverse impact would most prominently reflected on the performance of those traditional manufacturing industries. For the Group, the demand for mattress and soft bed products decreased, but there was increased market competition, both in the form of number of market participants and emerging marketing and selling channels for the distribution of their products. Furthermore, the production cost increased significantly during the year, especially the labour cost. The management expects that these conditions will remain in the coming years and China will continue to face the downward pressure in its economic performance. While the Board will continue to find ways to broaden its customer bases, such as to offer customers with quality products and flexible credit terms, there is also an urgency to further downsize the mattress and soft bed business as a middle term strategy.

On the other hand, the Group will continue 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 has increased investment on securities trading business, which involved trading as well as subscription for initial public offering and private placing of listed equity securities in Hong Kong. Apart from that, the Group acquired a shop valued at approximately HK\$19 million in core area for property investment purpose. The Group intended to diversify its income sources and reduce the risk of over reliance on single line of business in the time of economic turbulence.

## CHAIRMAN'S STATEMENT

### APPRECIATION

In the current rapid changing business environment, the great challenge post to the Board and management team is to be adaptive to the environment so as to seize every good investment opportunity to minimize risk and maximise return to shareholders in general. I am optimistic toward the challenging year of 2016 ahead of us. On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners and shareholders for their constant support and trust, and express my heartfelt appreciation to the management team and all staffs for their hard work and dedication to the development of the Group.

Yours faithfully  
**Hung Cho Sing**  
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2016 (2015: Nil).

## BUSINESS REVIEW

During the Year, businesses in China had experienced a complicated economic environment. While demand from both overseas and domestic market continued to drop, industries were haunted by the over capacity problem which governments was devoting their effort to suppress. In addition, production costs increased in a drastic fashion and bad debit issue for trade receivable were the two mega stumbling blocks that crash down companies. The challenge for the Group in 2015 used to maintain expansion momentum through product development and strengthen the sales and marketing network. However, the challenges for the Group in this year were to survive the bad economic time and to transform the business model of the Group into a one that will facility a sustainable growth in future. The main objective for the mattress and bedding products segment was to maintain the sales momentum and tighten the cost control. These objectives are actually contradicting in certain degree, since it is difficult to cut cost yet be able to maintain sales momentum. Despite all the effort from our PRC operation team, the results of the segment was still fall short of satisfaction. The turnover was 36.85% decreased from approximately HK\$90.1 million in 2015 to approximately HK\$56.9 million for the Year. And, the bottom line was a net loss of approximately HK\$10.1 million for the Year, which was a tremendous decreased from 2015's net profit of approximately HK\$1.8 million.

However, the difficulties for the mattress and soft bedding product segment were very much expected by the management. Last year the Group had already started investment in equity securities listed in Hong Kong and this year, more financial resources were channelled to this segment. The portfolio size was increased by 424%, which was approximately HK\$11.1 million from last year HK\$2.6 million to this year HK\$13.7 million. The performance of the segment was fluctuating over the Year, However, it was never the intension of the management to trade speculative stock. The investment was predominantly focused on IPO and private placement, where substantial discounts were normally offered to corporate subscriber. During the period of review, this segment has recorded segment profit of approximately HK\$5.0 million (approximately HK\$1 million for the year 2015). The income of the segment was predominantly the fair value gain on financial assets at fair value through profit or loss. Which is approximately HK\$12.9 million for the Year (approximately HK\$1.2 million for the year of 2015), this comprises realised and unrealised fair value gain of approximately HK\$10.0 million (Nil for the year 2015) and approximately HK\$2.9 million (approximately HK\$1.2 million for the year 2015) respectively.

Further more, the Group acquired entire equity interest of Full Profit Property Services Company Limited in February 2015, which was engaged in property agency and property management business. This new business segment introduced in 2015 turned out to be quite a successful segment. The total investment on this segment was only HK\$1 million, but the net profit for the Year was approximately HK\$3.0 million (approximately HK\$0.7 million for 2 months operation in 2015). Nevertheless, the property market in Hong Kong became even more sluggish than the beginning for the financial year. And, it would greatly affect the property agency income in the future. Therefore the management had decided to dispose Full Profit Limited to take profit. Net gain of approximately HK\$1.8 million was realised from the transaction. After the disposal, the Group has no more engagement in the property agency and property management business. Hence, it was considered the discontinue operation of an entire segment.



The Group had acquired China Universal Limited on 21 April 2015 for the consideration of HK\$24 million. The company was principally engaged in properties holding in Hong Kong. The transaction was completed on 30 July 2015. There were three properties owned by China Universal Limited. Despite of earning steady rental income, the comparatively low potential capital appreciation of these properties had been a concern to the management. As a result, China Universal Limited was being disposed on 7 March 2016, which resulted with a gain on disposal of approximately HK\$71,000. Before its disposal, the business eventually recorded rental income of approximately HK\$0.6 million for the 7 months of operation during the Year, and net profit of approximately HK\$0.2 million. The Group however, did not change its preference for investing in real estate in core areas of Hong Kong. Following the disposal of China Universal Limited, the Group acquired a property located in core area of Kowloon with consideration of HK\$19 million.

### Financial Impact From New Segment

Two new segments were being Introduced toward the end of the financial year of 2015, but their financial influence only surfaced in the year of 2016.

The Group started to invest equity securities in Hong Kong from December 2014. During the financial year under review. It turned out to be the main profit driver for the Group during the year, which generated profit of approximately HK\$5.0 million. Similarly, the Group first invested in property agency and property management business in February 2015 with HK\$1 million original cost. After it's brief introduction in 2015, it's agency business picking up gradually and flourished in the year of 2016. The 9 months net profit was approximately HK\$3.0 million before its disposal.

The total net profit from these two new segments were approximately HK\$8.0 million, which is close to compensate the segment loss of approximately HK\$10.1 million incurred by the traditional mattress and soft bedding business. Hence, The introduction of the new segments should be seen as an important factor that improved the Group's financial performance.

Property investment was yet another new segment being introduced during the year. Due to the usually longer term of investment horizon, the result of this segment was nothing outstanding in its first year of operation. However, as the Group is optimistic toward the property market in Hong Kong, the management believes that there will be lucrative asset value appreciation potential in longer term. The net profit of approximately HK\$240,000 consists mainly of rental income.

In order to finance the operation of new business segments with increased magnitude of the investment, the Group had raise fund from share placement on 24 April 2015 and Right Issue completed on 15 October 2015. The total fund raised was approximately HK\$148.5 million.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group for the year ended 31 March 2016 was approximately HK\$63.9 million, representing a decrease of approximately 29.86% as compared to the financial year of 2015. Turnover consists mainly of sales of mattress and soft bedding products approximately HK\$56.9 million, which represents 89.0% of the total segment revenue. The decrease in turnover was mainly due to the decreasing demand of soft beds and mattresses products. Another component of the turnover is the rental income generated from property investment segment, which is approximately HK\$0.6 million representing 1.0% of the total segment revenue. This was the new segment introduced during the Year. The third component of the turnover was generated from a discounted operation of property agency and property management segment. Which comprise of agency fee and management fee income of approximately HK\$6.4 million representing 10.0% of the total segment revenue. This business was introduced in February 2015, and its turnover for the two months' operation in 2015 was approximately HK\$1.1 million.

The business model of the Group had been diversified from last year of heavy reliance on mattress and soft bedding product business to the inclusion and increase focus on few new business segments. Gross profit analysis is useful to analyse the profitability of mattress and soft bedding product business. Even the turnover was decreased from HK\$90.1 million to this year's HK\$56.9 million, gross profit margin was only slightly decreased from 22.0% of last year to this year 21.0%. This was the result of deliberate effort in cost control during the year.

### Other income

The other income of the Group is mainly comprised of interest income, gain on disposal of subsidiaries, exchange gain, government grants, sales of scrap materials and sundry income. The increase of other income from approximately HK\$0.8 million in the financial year of 2015 to approximately HK\$3.4 million in the financial year of 2016 were mainly due to the increase in bank interest income and gain from disposal of Full Profit Property Services Company Limited. Bank interest income increased due to approximately HK\$148.5 million new fund obtained from shares placement and Right Issue.

### Administrative expenses

The administrative expenses of the Group are primarily comprised legal and professional fees, staff costs and social insurance cost. For the financial year ended 31 March 2016, the Group's administrative expenses increased to approximately HK\$30.0 million compared from approximately HK\$16.8 million for the financial year 2015, representing an increase of approximately 79.0%. The increase was mainly due to the bad debt provision for long outstanding trade receivable of approximately HK\$8.6 million. In addition to that, other general increase was mainly attributable to an increase of legal and professional fees for fund raising as well as various corporate exercises during the year as the Group started new segments and involved in more acquisition and disposal transactions.

### Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2016 were approximately HK\$3.3 million (2015: HK\$5.0 million). Decrease in selling and distribution expenses was mainly due to a decrease in turnover for mattress and soft bedding products business.

### 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 2016, the Group had financial assets at fair value through profit or loss of approximately HK\$13.7 million (2015: HK\$2.6 million). The Group recorded fair value gain on financial assets at fair value through profit or loss approximately HK\$12.9 million during the Year (2015: HK\$1.2 million).

### Income tax expense

Income tax expense decreased from approximately HK\$2.5 million in the financial year of 2015 to approximately HK\$1.7 million in the financial year of 2016, which was mainly due to decrease in profit before income tax of the Group's PRC subsidiary Guangdong Jia Meng.

### Profit/(loss) for the year

As a result of the foregoing factors, the Group recorded a loss of HK\$6.3 million for the year ended 31 March 2016 (2015: loss of HK\$8.7 million), and basic loss per share amounted to HK\$0.45 cents for the year ended 31 March 2016 (2015: loss per share HK cents 1.94).

### Trade and other receivables

Trade and other receivables increase to approximately HK\$70.1 million as at 31 March 2016 from approximately HK\$42.0 million as at 31 March 2015, which was mainly due to extended credit terms generally offered to customers for mattress and soft bedding products during the Year.

### Trade and other payables

Trade and other payables decreased to approximately HK\$10.7 million as at 31 March 2016 from approximately HK\$19.4 million as at 31 March 2015 which was mainly due to the decrease in the overall business scale for the mattress and soft bedding products during the Year.

## BUSINESS OBJECTIVES

Comparison of Business Objectives with Actual Business Progress:

The following sets out a comparison of the business objectives as stated in the Prospectus with the Group's actual business progress for the year ended 31 March 2016:

Business objectives as set out in the Prospectus

Actual progress for the year ended 31 March 2016

Strengthening product design and development

During the period under review, we have spent HK\$2.4 million funded out of our internal resources on research and development. Our research and development team has studied the market preferences and trends in the PRC soft bed and mattress markets based on information gathered from the market and online sources and has performed preliminary assessment in respect of the target markets.

Capitalising on growth opportunity in our mattress export business

During the period under review, HK\$1.4 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 Shanghai UBM Sinoexpo International Exhibition (上海博華國際展覽會) to explore new customers.

Increasing our brand awareness through trade fairs in the PRC

We have been increasing our brand awareness through expanding our sales network and providing guidance on decoration, operation and marketing to our domestic customers in order to maintain our brand images.

We have been actively seeking advice from brand design consultants to help refining our brand image and positioning.

Expanding our retail network in the PRC

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

Constructing a new production facility

After reviewing the domestic and overseas market's 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 2016, 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 2016 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 31 March 2016 (HK\$ in million)
Participate in overseas trade fairs	3.2	2.61	0.59
Production design, research and development and hire of new designer	2.4	2.4	0
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2	1.3	0.7
Construct new production facility	4.6	0	4.6
General working capital	1.2	1.2	0
<b>Total</b>	<b>13.4</b>	<b>7.51</b>	<b>5.89</b>

As at 31 March 2016, the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC.

- (i) On 11 December 2014, a total of 80,000,000 ordinary shares at HK\$0.213 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 28 November 2014. 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 net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$16.34 million. The proceeds have been used as the general working capital of the Group.
- (ii) On 9 April 2015, a total of 96,400,000 ordinary shares were placed at HK\$0.154 to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 9 April 2015. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$14.2 million and approximately HK\$13.39 million was used as the general working capital of the Group.
- (iii) On 14 October 2015, the Company completed a rights issue on the basis of three rights shares for every one existing share held on 17 September 2015 at HK\$0.08 per rights share (the "Rights Issue") and issued 1,735,200,000 rights shares. The details of the results of the Rights Issue were set out in the announcement of the Company dated 14 October 2015. The net proceeds from the rights issue, after deducting professional fees and all related expenses, were approximately HK\$134.5 million and approximately HK\$35.5 million was used for the acquisition of properties in Hong Kong for retail purpose; and approximately HK\$20 million was used for the further development of the existing and future business of the Group.

### LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2016, the Group maintained cash and cash equivalents amounting to HK\$174.5 million (2015: HK\$53.4 million). Net current assets increased from approximately HK\$88.4 million in 2015 to approximately HK\$212.8 million in 2016 which was mainly due to the HK\$148.5 million of proceed received from share placement dated 9 April 2015 and Right Issue dated 15 October 2015.

### 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 12.26% (2015:nil).

### CAPITAL COMMITMENTS

As at 31 March 2016, 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 RMB4,095,000 (approximately HK\$4,996,000) ("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 Guangzhou Zengcheng District People's Court (廣州市增城區人民法院) (the "Zengcheng Court") for the settlement plus accrued interest and related legal costs (the "Proceeding"). On 11 February 2015, the Zengcheng Court issued a court order pursuant to which bank deposits of Guangdong Jia Meng amounting to approximately HK\$5,076,000 were frozen. On 13 June 2015, Guangdong Jia Meng received civil judgement from the Zengcheng Court in favor to the Supplier that Guangdong Jia Meng was ordered to settle the Debt plus accrued interest to the Supplier and related legal costs. On 28 July 2015, Guangdong Jia Meng appealed to Guangzhou Intermediate People's Court (廣州市中級人民法院) to seek revoke of the civil judgement by the Zengcheng Court, compensation of loss suffered by Guangdong Jia Meng due to the quality problems of the raw materials supplied by the Supplier and recovery of legal costs from the Supplier.

On 24 December 2015, the parties to the Proceeding have reached an agreement to settle the Proceeding. As a result, the restricted Bank Deposits was unfreeze pursuant to the Court Order, and the Proceeding was fully resolved following the settlement of outstanding amount due to the Supplier in January 2016.

Save as disclosed above, the Group had no significant contingent liabilities as at 31 March 2016.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 19 May 2016, Aim Extreme Limited, a subsidiary of the Company, enter into an agreement with a vendor pursuant to which Aim Extreme conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at the consideration of HK\$158,000,000. The principal asset of the Target Company is the Property, which is a whole floor of China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Hong Kong. The Property is a commercial office building with a gross area of approximately 10,589 square feet. The principal business of the target company is investment holding.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group engaged a total of 184 employees (2015: 152). Total staff costs including Directors' remuneration for the financial year of 2016 amounted to approximately HK\$14.7 million (2015: HK\$15.6 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. Last year, 2,000,000 share options were exercised under the Scheme.

On 11 January 2016, the Company granted to certain eligible participants a total of 32,000,000 share options to an executive Director and an employee of the Group.

### ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental matters, including air pollution, noise emissions, discharge of sewage and waste residues. The Group recognizes the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the production process in order to ensure that it does not have a significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

As at the date of this report, no administrative sanctions, penalties or punishments have been imposed upon us for the violation of any environmental laws or regulations.

### 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 29 April 2016, Natural Yield Limited, a subsidiary of the Company, completed the acquisition of property at consideration of HK\$16,500,000. The detail of the results of the acquisition of property were set out in the announcement of the Company dated 29 April 2016.
- (b) On 6 May 2016, Raise Steady Limited, a subsidiary of the Company, enter into an agreement with a vendor pursuant to which Raise Steady conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at the consideration of HK\$2,730,000. The principal business of the target company is money lending. The detail of the results of the acquisition of property were set out in the announcement of the Company dated 6 May 2016.

- (c) On 19 May 2016, Aim Extreme Limited, a subsidiary of the Company, enter into an agreement with a vendor pursuant to which Aim Extreme conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at the consideration of HK\$158,000,000. The principal business of the target company is investment holding. Up to the date of issuance these consolidated financial statements, the possible acquisition has not yet completed. The detail of the possible acquisition are set out in the announcement of the Company dated 19 August 2016.

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

- (a) On 30 December 2015, the Group entered into an agreement with an independent third party to dispose of its entire equity interests in Full Profit Property Services Company Limited, an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$6,000,000.
- (b) On 7 March 2016, the Group entered into an agreement with an independent third party to dispose of its entire equity interests in China Universal Limited, an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$25,900,000.

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

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 2016, 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 2016 were:

*Executive Directors:* (Note 1)

Mr. Yim Yin Nang (*Chairman*) (*appointed on 5 March 2015*)  
Mr. Wong Siu Ki (*appointed on 15 December 2015*)

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

Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Fung Kam Man  
Mr. Au-Yeung Hau Cheong (*resigned on 11 April 2016*)

Note 1: On 15 December 2015, Mr. Wong Siu Ki was appointed as an executive Director.  
On 26 January 2016, Mr. Chan Wing Kit was resigned.  
On 22 April 2015, Mr. Ng Wing Cheong, Stephen was appointed, and resigned on 8 January 2016.  
On 5 March 2015, Mr. Tse Woon Mo, William, resigned and Mr. Yim Yin Nang was appointed on the same date.

Note 2: On 9 September 2015, Mr. Au-Yeung Hau Cheong was appointed, and resigned on 11 April 2016.  
On 22 August 2015, Mr. Ng Yat Cheung and Mr. Zhu Xiao Bing was resigned.

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

As at 31 March 2016, 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 29 to 30 in this annual report.

## Number of Meetings and Directors' Attendance

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

During the year ended 31 March 2016, 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	4/4	—	—	—
Mr. Chan Wing Kit	3/4	—	—	—
Mr. Wong Siu Ki	1/4	—	—	—
<b>Independent non-executive Directors</b>				
Mr. Chan Wai Cheung, Admiral	4/4	4/4	1/1	1/1
Mr. Au-Yeung Hau Cheong	4/4	3/4	0/1	0/1
Mr. Ng Yat Cheung	1/4	1/4	1/1	1/1
Mr. Zhu Xiaobing	1/4	1/4	1/1	1/1
Mr. Fung Kam Man	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.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hung Cho Sing was being elected as the Chairman of the Board on 23 May 2016. The Chief Executive was Mr. Chan Wing Kit, and he has resigned as (i) the Chief Executive Officer and (ii) an executive Director on 26 January 2016. The role of Chief Executive Officer is currently being vacant ever since, pending for the Company to identify a suitable candidate to replace.

The Board believes that this is the best interest to the Group to keep Mr. Hung Cho Sing as the Chairman of the Board and will continue to identify a suitable candidate for the Chief Executive Officer role.

The Chairman of the Board provides leadership to the Board and is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group. These functions and responsibilities are current being shared by the management team.

### BOARD COMMITTEES

#### Audit Committee

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Fung Kam Man. Mr. Chan Chun Wing 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 2016

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2016 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 17 in this annual report.

Note: On 11 April 2015, Mr. Tang was appointed as a member of Audit Committee.  
On 23 May 2016, Mr. Chan was appointed as a chairman of Audit Committee.

#### Remuneration Committee

The Company established the Remuneration Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Tang Kin Chor, Mr. Chan Chun Wing, and Fung Kam Man. Fung Kam Man 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 11 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 17 in this annual report.

Note: On 11 April 2015, Mr. Tang was appointed as a member of Remuneration Committee.  
On 23 May 2016, Mr. Chan was appointed as a member of Remuneration Committee.

### Senior management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 March 2016 falls within the following bands:

	<b>Number of individuals</b>
Nil to HK\$1,000,000	4

### Nomination Committee

The Company established the Nomination Committee on 26 September 2013 which comprised four independent non-executive Directors, namely Tang Kin Chor, Mr. Chan Chun Wing, and Fung Kam Man. Tang Kin Chor 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 17 in this annual report.

Note: On 11 April 2015, Mr. Tang was appointed as a chairman of Remuneration Committee.  
On 23 May 2016, Mr. Chan 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. Wong Siu Ki, Mr. Matthew Chung, Mr. Fung Kam Man, Mr. Chan Chun Wing and Mr. Tang Kin Chor) 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 2016 and up to the date of this annual report.

### **COMMUNICATION WITH SHAREHOLDERS**

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

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

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

### **GENERAL MEETINGS WITH SHAREHOLDERS**

The Company's annual general meeting will be held on 22 August 2016.

### **SHAREHOLDERS' RIGHTS**

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

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

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

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

**(c) Enquiries to the Board**

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

**AUDITOR'S REMUNERATION**

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2016 is set out as follows:

<b>Services rendered</b>	<b>2016 HK\$'000</b>
Audit services	<b>550</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 AND RISK MANAGEMENT**

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 2016, 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 2016, the Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training.

# REPORT OF THE DIRECTORS

The Directors of the Company presented their report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2016.

## **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 35 to the financial statements.

## **RESULTS AND DIVIDENDS**

The Group’s profit for the year ended 31 March 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 33 to 87.

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 88. 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**

At 31 March 2016, the Group had bank borrowings HK\$36,050,000 (2015: Nil). The bank borrowing is secured by the Group’s leasehold land and building with a net carrying value of HK\$8,012,000 and HK\$3,119,000 respectively at the end of the year ended 31 March 2016 and repayable within one year.

## **INTEREST CAPITALISED**

The Group has not capitalised any interest during the Year.

## **SHARE CAPITAL**

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

## DISTRIBUTABLE RESERVES

At 31 March 2016, the Company's reserves, calculated in accordance with the provisions of the Cayman Islands' legislation, amounted to approximately HK\$175.1 million (2015: HK\$74.3 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 2016.

## DIRECTORS

The Directors of the Company during the Year were:

### Executive Directors (Note 1)

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

Mr. Wong Siu Ki *(appointed on 15 December 2015)*

### Independent non-executive Directors (Note 2)

Mr. Chan Wai Cheung, Admiral *(resigned on 23 May 2016)*

Mr. Fung Kam Man

Mr. Au-Yeung Hau Cheong *(resigned on 11 April 2016)*

Note 1: On 15 December 2015, Mr. Wong Siu Ki was appointed as an executive Director.

On 26 January 2016, Mr. Chan Wing Kit was resigned.

On 22 April 2015, Mr. Ng Wing Cheong, Stephen was appointed, and resigned on 8 January 2016.

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

Note 2: On 9 September 2015, Mr. Au-Yeung Hau Cheong was appointed, and resigned on 11 April 2016.

On 22 August 2015, Mr. Ng Yat Cheung and Mr. Zhu Xiao Bing was resigned.

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 29 and 30 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 Wong Siu Ki, Matthew Chung and Yim Yin Nang have entered into a service contract with the Company for an initial term of three years with effect from 15 December 2015, 11 April 2016 and 5 March 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.

Executive Directors, Hung Cho Sing has entered into a letter of appointment with the Company for a period of three years commencing from 23 May 2016.

Independent non-executive Director, Tang Kin Chor and Chan Chun Wing has entered into a letter of appointment with the Company for a period of three years commencing from 11 April 2016 and 23 May 2016.

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 2016, the Group had certain transactions with its related parties. Details of these transactions are set out in note 35 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.

## 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 2016, save as disclosed below, none of the Directors and chief executive has any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors of listed issuers.

#### Long positions in shares

Name of Directors	Nature of interest	Number of shares	Number of underlying shares	Percentage of shareholding (%)
Mr. Wong Siu Ki	Beneficial owner	12,000,000	(Note 1)	0.52%

Note 1: The interests in underlying shares represented interests in share options granted to the Director, further details of which are set out in the section headed "Share Option Scheme" below.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at 31 March 2016, there was no person 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.

## 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.

## REPORT OF THE DIRECTORS

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.

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

Grantee	Outstanding Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2015	Granted during the year	Lapsed during the year	Adjusted during the effective of open offer	Outstanding at 31 March 2016
Director — Mr. Chan	4 Sept 2014	4 Sept 2014 to 3 Sept 2016	0.396 (Note 1)	2,000,000	—	—	234,234 (Note 1)	2,234,234
Employee A	4 Sept 2014	4 Sept 2014 to 3 Sept 2016	0.442	4,000,000	—	(4,000,000)	—	—
Director — Mr. Wong	12 Jan 016	12 Jan 2016 to 11 Jan 2018	0.079	—	12,000,000	—	—	12,000,000
Employee B	12 Jan 016	12 Jan 2016 to 11 Jan 2018	0.079	—	20,000,000	—	—	20,000,000
				6,000,000	32,000,000	(4,000,000)	234,234	34,234,234

Note 1: Due to the rights issue on the basis of three rights for one then share held completed on 15 October 2015 the number of outstanding share options was adjusted from 2,000,000 to 2,234,234 and its exercise price was adjusted from HK\$0.442 to HK\$0.396.

The following significant assumptions were used to derive the fair value, under Black-Scholes Pricing Model, of the share options granted during the year ended 31 March 2016:

	Mr. Wong Siu Ki	Employee B
Risk free rate	0.87%	0.87%
Annualised dividend yield	nil	nil
Expected volatility	94.11%	94.11%
Exercise multiple	nil	nil

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	Employee A
Risk free rate	0.44%	0.44%
Annualised dividend yield	nil	nil
Expected volatility	139.67%	139.67%
Exercise multiple	2.47	1.60

## 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 2016.

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 2016, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 14.87% and 45.7% (2015: 23.2% and 45.7%) of the total value of the Group's revenue, respectively. The Group's purchase from the largest and the five largest suppliers accounted for 12.88% and 29.5% (2015: 8.9% and 28.9%) 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 2016 are set out in note 30 to the financial statements. The disclosed related party transactions with Hong Kong Royal Furniture Holding 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.

## REPORT OF THE DIRECTORS

### CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 16 to 21.

### 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 Friday, 19 August 2016 to Monday, 22 August 2016, 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 Thursday, 18 August 2016.

### AUDITOR

The Company has nominated Elite Partners CPA Limited as the auditor of the Group with effect from 12 April 2016 until conclusion of the forthcoming general meeting of the Company to fill the casual vacancy following the retirement of BDO Limited which took effect from 12 April 2016.

The consolidated financial statement for the year ended 31 March 2016 has been audited by Elite Partners CPA Limited, who 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**  
**Hung Cho Sing**  
*CHAIRMAN*

Hong Kong, 22 June 2016

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

## EXECUTIVE DIRECTORS

Mr. Yim Yin Nang, aged 74. 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. He is also a director of certain subsidiaries of the Company.

Mr. Wong Siu Ki, aged 24, holds a bachelor degree of social science in economics from the Chinese University of Hong Kong. Mr. Wong has been a columnist of several local financial media, He is currently working as journalist in a local financial magazine.

Mr. Matthew Chung ("Mr. Chung"), aged 27, holds a bachelor degree of art and science in economics from Boston University. He has worked for several local media and publishing companies, and is now a columnist, writer, online radio host, and TV program host. He is currently working for a local entertainment company as a project manager.

Mr. Hung Cho Sing ("Mr. Hung") age 75, is the Chairman of our Company since 23 May 2016. He is mainly responsible for the business development of the Group. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder of Delon International Film Corporation and has been its General Manager since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993. And from 1993 to 1995, Mr. Hung was the Chairman of Hong Kong Film Awards Association Limited. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region ("HKSAR") in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. Mr. Hung is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission. Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014, an independent non-executive director of Mascotte Holdings Limited (stock code: 136) from 22 January 2013 to 26 October 2015. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Freeman Financial Corporation Limited (stock code: 279), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), an independent non-executive director of Miko International Holdings Limited (stock code: 1247) and executive director of Universe International Holdings Limited (stock code: 1046).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung, Admiral, 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.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Fung Kam Man, 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.

Mr. Tang Kin Chor, aged 57, has over 20 years of working experience in the securities industry including equity sales and fund management. Mr. Tang is now an associate director of Celestial Securities Limited, a registered exchange participant of the Stock Exchange, and a columnist.

Mr. Chan Chun Wing ("Mr. Chan"), aged 46, holds a bachelor degree of economics from Macquarie University (Australia). Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has worked with one of the Big Four CPA firms in his early career, and has subsequently worked as a financial controller and other managerial role across different industries and business segments. He is now a partner and shareholder of a long established sport equipment manufacturing and trading company in Hong Kong.

### SENIOR MANAGEMENT

Mr. Zhang Hui Rong (張輝榮), aged 42, 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. Wong King Chung ("Mr. Wong"), aged 46, was appointed as the financial controller, company secretary and compliance officer of our Group in 13 October 2015. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in accounting, auditing, taxation and company secretarial works.

# INDEPENDENT AUDITOR'S REPORT



## **TO THE MEMBERS 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 33 to 87, which comprise the consolidated statements of financial position as at 31 March 2016, 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 financial position of the Group and of the Company as at 31 March 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Elite Partners CPA Limited**

*Certified Public Accountants*

Hong Kong, 22 June 2016

#### **Siu Jimmy**

Practising certificate number: P05898

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	7	57,511	90,077
Cost of sales		(44,931)	(70,278)
Gross profit		12,580	19,799
Other income	7	3,407	800
Selling and distribution expenses		(3,290)	(5,040)
Administrative expenses		(30,024)	(16,774)
Research expenses		(2,400)	(4,480)
Other operating expenses		(1,666)	(2,891)
Fair value gain on financial assets at fair value through profit or loss		12,939	1,193
Fair value gain on investment property		2,789	—
Gain from bargaining purchase		—	574
Finance costs	8	(1,983)	—
<b>Loss before income tax</b>	9	<b>(7,648)</b>	(6,819)
Income tax expenses	10	(1,659)	(2,538)
<b>Loss after taxation from continuing operations</b>		<b>(9,307)</b>	(9,357)
<b>Discontinued operations</b>			
Profit from discontinued operations		2,960	679
Loss for the year		(6,347)	(8,678)
<b>Other comprehensive (expenses)/income that may be reclassified subsequently to profit or loss</b>			
Exchange difference arising on translation of financial statement of foreign operations		(2,512)	198
<b>Total comprehensive loss for the year</b>		<b>(8,859)</b>	(8,480)
<b>Profit/(Loss) for the year attributable to Owners of the Company:</b>			
— From continuing operations		(9,191)	(9,373)
— From discontinued operations		2,960	679
		(6,231)	(8,694)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Profit/(Loss) for the year attributable to non-controlling interests:</b>			
— From continuing operations		(116)	16
— From discontinued operations		—	—
		(116)	16
Loss for the year		(6,347)	(8,678)
<b>Total comprehensive loss for the year attributable to:</b>			
— Owners of the Company			
From continuing operations		(11,303)	(8,498)
From discontinued operations		2,960	—
		(8,343)	(8,498)
— Non-controlling interests			
From continuing operations		(516)	18
From discontinued operations		—	—
		(516)	18
<b>Earnings/(Loss) per share</b>			
From continuing and discontinued operations			
Basic and Diluted	15	HK\$(0.45) cents	HK\$(1.94) cents
From continuing operations			
Basic and Diluted		HK\$(0.66) cents	HK\$(2.09) cents
From discontinued operations			
Basic and Diluted		HK\$0.21 cents	HK\$0.15 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	5,745	7,779
Prepaid premium for land leases	17	8,012	8,608
Investment properties	18	19,000	—
Intangible assets	19	—	333
Deferred tax assets	26	692	457
Total non-current assets		33,449	17,177
<b>Current assets</b>			
Inventories	20	2,111	2,655
Intangible assets	19	—	1,657
Financial assets at fair value through profit or loss	21	13,679	2,610
Trade and other receivables	22	70,085	41,998
Tax receivables		345	525
Restricted bank deposits		—	5,250
Cash and cash equivalents	23	174,467	53,373
Total current assets		260,687	108,068
<b>Total assets</b>		<b>294,136</b>	125,245
<b>Current liabilities</b>			
Trade and other payables	24	10,665	19,447
Tax payables		1,203	236
Bank borrowings	25	36,048	—
Total current liabilities		47,916	19,683
<b>Net current assets</b>		<b>212,771</b>	88,385
<b>Total assets less current liabilities</b>		<b>246,220</b>	105,562
<b>Non-current liabilities</b>			
Deferred income	24	3,157	3,312
Deferred tax liabilities	26	256	—
Total non-current liabilities		3,413	3,312
<b>Total liabilities</b>		<b>51,329</b>	22,995
<b>NET ASSETS</b>		<b>242,807</b>	102,250

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>EQUITY</b>			
Share capital	27	<b>57,840</b>	12,050
Reserves	28	<b>184,463</b>	89,180
Equity attributable to owners of the Company		<b>242,303</b>	101,230
Non-controlling interests		<b>504</b>	1,020
<b>TOTAL EQUITY</b>		<b>242,807</b>	102,250

Approved and authorised for issued by the board of directors on 22 June 2016

**Wong Siu Ki**  
*Director*

**Matthew Chung**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserves	Share options reserve	Translation reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	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 statement 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 payment (note 29)	—	—	—	—	—	1,476	—	—	1,476	—	1,476
Share issued under share option scheme (note 27(c))	50	1,276	—	—	—	(442)	—	—	884	—	884
Issue of ordinary share by placing (note 27(d))	2,000	14,342	—	—	—	—	—	—	16,342	—	16,342
At 31 March 2015 and 1 April 2015	12,050	28,842	10,207	8	6,578	1,034	10,407	32,104	101,230	1,020	102,250
Loss for the year	—	—	—	—	—	—	—	(6,231)	(6,231)	(116)	(6,347)
Other comprehensive expense — exchange differences arising on translation of financial statement of foreign operations	—	—	—	—	—	—	(2,112)	—	(2,112)	(400)	(2,512)
Total comprehensive loss for the year	—	—	—	—	—	—	(2,112)	(6,231)	(8,343)	(516)	(8,859)
Recognition of share-based payment (note 29)	—	—	—	—	—	922	—	—	922	—	922
Issue of ordinary shares by placing (note 27(e))	2,410	11,580	—	—	—	—	—	—	13,990	—	13,990
Rights issue of shares (note 27(f))	43,380	91,124	—	—	—	—	—	—	134,504	—	134,504
At 31 March 2016	57,840	131,546	10,207	8	6,578	1,956	8,295	25,873	242,303	504	242,807

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
<b>Profit/(Loss) before income tax</b>		
From continuing operations	<b>(7,648)</b>	(6,819)
From discontinued operations	<b>3,545</b>	720
Adjustment for:		
Amortisation of prepaid premium for land leases	<b>198</b>	220
Amortisation of intangible assets	<b>—</b>	14
Depreciation of property, plant and equipment	<b>931</b>	1,284
Interest income	<b>(751)</b>	(96)
Interest expenses	<b>1,983</b>	—
Allowance for impairment of trade and other receivables	<b>8,579</b>	2,891
Gain from a bargain purchase	<b>—</b>	(574)
Loss on disposal of property, plant and equipment	<b>2,277</b>	79
Share-based compensation expenses	<b>922</b>	1,476
Fair value gain on financial assets at fair value through profit or loss	<b>(12,939)</b>	(1,193)
Gain on disposal of subsidiaries	<b>(1,858)</b>	—
Fair value gain on investment property	<b>(2,789)</b>	—
<b>Operating loss before working capital changes</b>	<b>(7,550)</b>	(1,998)
Decrease/(Increase) in financial assets at fair value through profit or loss	<b>1,870</b>	(1,417)
(Increase)/Decrease in trade and other receivables	<b>(39,129)</b>	15,558
Decrease/(Increase) in inventories	<b>428</b>	(937)
Decrease trade and other payables	<b>(8,788)</b>	(3,927)
Decrease in amounts due to related parties	<b>—</b>	(172)
<b>Cash (used in)/generated from operations</b>	<b>(53,169)</b>	7,107
Income tax paid	<b>(15)</b>	(3,204)
<b>Net cash (used in)/generated from operating activities</b>	<b>(53,184)</b>	3,903
<b>Cash flows from investing activities</b>		
Interest received	<b>751</b>	96
Decrease/(Increase) in restricted bank deposits	<b>5,250</b>	(5,242)
Acquisition of a subsidiary	<b>(23,378)</b>	(492)
Disposal of subsidiaries	<b>31,046</b>	—
Acquisition of investment properties	<b>(19,000)</b>	—
Purchases of property, plant and equipment	<b>(1,483)</b>	(184)
Proceeds from disposal of property, plant and equipment	<b>—</b>	512
<b>Net cash used in investing activities</b>	<b>(6,814)</b>	(5,310)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from financing activities</b>		
Proceeds from issue to shares upon placing	13,990	—
Proceeds from rights issue of shares	134,504	—
Interest paid	(1,983)	—
Proceeds from issue of ordinary shares	—	17,924
Share issue costs	—	(698)
Drawdown of bank borrowings	35,439	—
Repayment of bank borrowings	(36)	—
<b>Net cash generated from financing activities</b>	<b>181,914</b>	17,226
<b>Net increase in cash and cash equivalents</b>	<b>121,916</b>	15,819
<b>Cash and cash equivalents at the beginning of year</b>	<b>53,373</b>	37,455
<b>Effect of foreign exchange rate, net</b>	<b>(822)</b>	99
<b>Cash and cash equivalents at the end of year</b>	<b>174,467</b>	53,373
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	174,467	53,373



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 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 35 to the financial statements.

The financial statements for the year ended 31 March 2016 were approved by the board of directors on 22 June 2016.

## 2. BASIS OF PREPARATION

### 2.1 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.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

## 3. 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")

### 3.1 New and revised standards adopted by the Group

(i) ***New standards, revisions and amendments to existing standards effective for annual periods beginning 1 April 2015, relevant to the Group's operations and adopted by the Group:***

HKAS 19 (Amendment)  
HKFRSs (Amendment)

Defined Benefit Plans  
Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The adoption of the above new standards, revisions and amendments to existing standards did not have any material impact on the preparation of the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 3. 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)

### 3.1 New and revised standards adopted by the Group (Continued)

#### (ii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### 3.2 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.

Annual improvement Project HKAS 1 (Amendment)	Annual Improvements 2012-2014 Cycle <sup>1</sup> Disclosure Initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its associate or Joint Venture <sup>3</sup>
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 11 (Amendment)	Accounting for Acquisition of interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Lease <sup>4</sup>

<sup>1</sup> Effective for financial years beginning on or after 1 January 2016

<sup>2</sup> Effective for financial years beginning on or after 1 January 2018

<sup>3</sup> Effective date to be determined

<sup>4</sup> Effective for financial years beginning on or after 1 January 2019

The Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

The Group intends to adopt the above standards, amendments and interpretations when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 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 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.

### 4.2 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.

### 4.3 Acquisition of assets

For the acquisition of assets effected through a non-operating corporate structure that does not represent a business, it is considered that the transactions does not meet the definition of a business combination. Accordingly the transaction is accounted for as the acquisition of asset and such transaction does not give rise to goodwill.

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

### 4.4 Investment properties

Investment properties are land and/or buildings held by the Group or under finance lease to earn rental income and/or for capital appreciation, which include property interest held under operating lease carried at fair value.

Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

The fair values of investment properties are based on valuation by independent valuers who hold recognised professional qualification and have recent experience in the location and category of properties being valued. Fair value is determined based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for accounting purposes. The deemed cost of property, plant and equipment is used as the basis for the carrying amount and depreciation of the asset.

### 4.5 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 2016

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

### 4.5 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.

### 4.6 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.

### 4.7 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 4.16.

### 4.8 Research expenditure

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

### 4.9 Leasing

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

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

### 4.10 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 2016

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

### 4.10 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.

### 4.11 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.

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

### 4.12 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.
- (iv) Rental income under operating leases is recognised in the period in which the properties are let out and on a straightline basis over the term of the relevant lease.

### 4.13 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 realized 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

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

### 4.13 Income taxes *(Continued)*

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

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 4.14 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.

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

### 4.15 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.

### 4.16 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

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

### 4.17 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.

### 4.18 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.

### 4.19 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.

### 4.20 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.

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

### 4.21 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (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).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or a parent of the Group.

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.

### 4.22 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

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

### 4.22 Discontinued operation *(Continued)*

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

## 5. 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 4.5, 4.6 and 4.7 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.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (iv) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

## 6. 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 period ended 31 March 2016, the Group principally operates in four business segments, which are:

- (i) The design, manufacture and sale of mattress and soft bed products;
- (ii) Property investment;
- (iii) Securities investment; and
- (iv) The provision of property management and property agency services. During the Period, the Group entered into a Sale and Purchase Agreement with an independent third party, to dispose of the entire equity interest of Full Profit Property Services Company Limited, an indirect wholly-owned subsidiary of the Company, which carried out all of the Group's property management and property agency services. Accordingly, the property management and property agency segment was classified as a discontinued operation, details of which are set out in Note 14.

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 unaudited condensed consolidated financial statements are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 6. 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 2016

	Continuing operations					Discontinued operations		Group total HK\$'000
	Mattress and soft bed products HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000	Property management and property agency service HK\$'000	
Revenue from external customers	56,884	—	627	57,511	—	57,511	6,429	63,940
Reportable segment profit/(loss)	(10,117)	4,999	240	(4,878)	—	(4,878)	2,960	(1,918)
Unallocated other income				—	5,445	5,445	—	5,445
Unallocated corporate expenses				—	(9,874)	(9,874)	—	(9,874)
Loss for the year				(4,878)	(4,429)	(9,307)	2,960	(6,347)
Segment assets	88,265	14,744	19,000	122,009	—	122,009	—	122,009
Unallocated cash and cash equivalents				—	171,251	171,251	—	171,251
Unallocated corporate assets				—	876	876	—	876
Total assets				122,009	172,127	294,136	—	294,136
Segment liabilities	45,122	3,152	—	48,274	—	48,274	—	48,274
Unallocated corporate liabilities				—	3,055	3,055	—	3,055
Total liabilities				48,274	3,055	51,329	—	51,329
Other segment information								
Interest income	43	—	—	43	708	751	—	751
Fair value gain on investment properties	—	—	2,789	2,789	—	2,789	—	2,789
Depreciation of property, plant and equipment	(809)	—	(2)	(811)	(36)	(847)	(84)	(931)
Amortisation of prepaid premium for land leases	(198)	—	—	(198)	—	(198)	—	(198)
Fair value gain on financial assets at fair value through profit or loss	—	12,939	—	12,939	—	12,939	—	12,939
Income tax expenses	(215)	(988)	(456)	(1,659)	—	(1,659)	(585)	(2,244)
Research expenses	(2,400)	—	—	(2,400)	—	(2,400)	—	(2,400)
Additions to non-current assets (excluding deferred tax assets and non-current assets acquired through business combination)	(1,446)	—	(37)	(1,483)	—	(1,483)	—	(1,483)
Impairment of trade and other receivables	(8,579)	—	—	(8,579)	—	(8,579)	—	(8,579)

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 6. SEGMENT REPORTING (Continued)

### (a) Reportable segments (Continued)

For the year ended 31 March 2015

	Continuing operations				Discontinued operations		Group total HK\$'000
	Mattress and soft bed products HK\$'000	Securities investment HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000	Property management and property agency service HK\$'000	
Revenue from external customers	90,077	—	90,077	—	90,077	1,089	91,166
Reportable segment profit	1,753	989	2,742	—	2,742	679	3,421
Gain from a bargain purchase			—	574	574	—	574
Share-based compensation expenses			—	(1,476)	(1,476)	—	(1,476)
Income tax expense			—	(1,106)	(1,106)	—	(1,106)
Unallocated other income			—	19	19	—	19
Unallocated corporate expenses			—	(10,110)	(10,110)	—	(10,110)
Loss for the year			2,742	(12,099)	(9,357)	679	(8,678)
Segment assets	72,306	5,193	77,499	—	77,499	3,386	80,885
Cash and cash equivalents			—	44,092	44,092	—	44,092
Unallocated corporate assets			—	268	268	—	268
Total assets			77,499	44,360	121,859	3,386	125,245
Segment liabilities	20,053	195	20,248	—	20,248	1,133	21,381
Unallocated corporate liabilities			—	1,614	1,614	—	1,614
Total liabilities			20,248	1,614	21,862	1,133	22,995
Other segment information							
Interest income	77	—	77	19	96	—	96
Depreciation of property, plant and equipment	(1,149)	—	(1,149)	(134)	(1,283)	(1)	(1,284)
Amortisation of prepaid premium for land leases	(220)	—	(220)	—	(220)	—	(220)
Amortisation of intangible assets	—	—	—	—	—	(14)	(14)
Fair value gain on financial assets at fair value through profit or loss	—	1,193	1,193	—	1,193	—	1,193
Income tax expenses	(1,237)	(195)	(1,432)	(1,106)	(2,538)	(41)	(2,579)
Impairment of trade and other receivables	(2,891)	—	(2,891)	—	(2,891)	—	(2,891)
Research expenses	(4,480)	—	(4,480)	—	(4,480)	—	(4,480)
Additions to non-current assets (excluding deferred tax assets and non-current assets acquired through business combination)	88	—	88	71	159	25	184



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 6. 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					
	Continuing operations		Discontinued operations		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
PRC (place of domicile)	14,000	36,907	—	—	14,000	36,907
Other countries	43,511	53,170	6,429	1,089	49,940	54,259
	57,511	90,077	6,429	1,089	63,940	91,166

	Non-current assets (other than deferred tax assets)					
	Continuing operations		Discontinued operations		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
PRC (place of domicile)	12,887	16,302	—	—	12,887	16,302
Other countries	19,870	375	—	43	19,870	418
	32,757	16,677	—	43	32,757	16,720

### (c) Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	—	21,126
Customer B	9,299	—
Customer C	8,552	—

Transactions with Customer B and C were not exceeded 10% in 2015.

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. 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>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Revenue</b>		
Continuing operations		
Sales of goods	<b>56,884</b>	90,077
Rental income	<b>627</b>	—
	<b>57,511</b>	90,077
Discontinued operations		
Property agency fee	<b>5,349</b>	891
Property management service fee	<b>1,080</b>	198
	<b>6,429</b>	1,089
	<b>63,940</b>	91,166

	<b>Continuing operations</b>		<b>Discontinued operations</b>		<b>Consolidated</b>	
	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Other income</b>						
Interest income	<b>751</b>	96	—	—	<b>751</b>	96
Gain on disposal of subsidiaries	<b>1,858</b>	—	—	—	<b>1,858</b>	—
Exchange gain	<b>236</b>	—	—	—	<b>236</b>	—
Government grants and subsidies (note (a))	—	258	—	—	—	258
Sales of scrap materials	<b>322</b>	272	—	—	<b>322</b>	272
Sundry income	<b>240</b>	174	—	60	<b>240</b>	234
	<b>3,407</b>	800	—	60	<b>3,407</b>	860

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 8. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interest of bank borrowings repayment within one year	1,983	—	—	—	1,983	—

## 9. LOSS BEFORE INCOME TAX

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

	Continuing operations		Discontinued operations		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Allowance for impairment of trade and other receivables	8,579	2,891	—	—	8,579	2,891
Amortisation of prepaid premium for land leases	198	220	—	—	198	220
Amortisation of intangible assets	—	—	—	14	—	14
Auditor's remuneration	550	680	—	—	550	680
Cost of inventories recognised as expenses	44,931	70,278	—	—	44,931	70,278
Depreciation of property, plant and equipment	847	1,283	84	1	931	1,284
Loss on disposal of property, plant and equipment	2,277	79	—	—	2,277	79
Net foreign exchange (gain)/loss	(236)	70	—	—	(236)	70
Operating lease charges on rented premises	313	127	111	17	424	144
Staff costs (including directors' remuneration)						
— Wages, salaries and bonus	10,112	11,989	2,081	322	12,193	12,311
— Contribution to defined contribution plans	1,584	1,764	56	8	1,640	1,772
— Share-based compensation expenses	922	1,476	—	—	922	1,476

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 10. INCOME TAX EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax — PRC	215	3,080	—	—	215	3,080
Current tax — Hong Kong	1,444	195	585	41	2,029	236
Deferred tax current year	—	(737)	—	—	—	(737)
Income tax expenses	1,659	2,538	585	41	2,244	2,579

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 2016. Enterprise income tax arising from subsidiary operated in the PRC for the year was calculated at 25% (2015: 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:

	Continuing operations		Discontinued operations		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Profit/(Loss) before income tax	(7,648)	(6,819)	3,545	720	(4,103)	(6,099)
Tax on profit at applicable tax rates	(1,262)	(872)	585	118	(677)	(754)
Effect of expenses not deductible for tax purpose	3,619	2,346	—	(75)	3,619	2,271
Effect of income not taxable for tax purpose	(1,520)	(98)	—	—	(1,520)	(98)
Tax effect of tax loss not recognised	1,075	—	—	—	1,075	—
PRC withholding tax	—	1,106	—	—	—	1,106
Others	(253)	56	—	(2)	(253)	54
Income tax expenses for the year	1,659	2,538	585	41	2,244	2,579

Deferred tax liabilities as at 31 March 2016 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\$9,053,000 (2015: HK\$11,484,000) 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 2016

## 11. 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 expenses HK\$'000	Total HK\$'000
<b>Year ended 31 March 2016</b>					
<i>Executive directors:</i>					
Mr. Wong Siu Ki (note 1)	56	—	—	773	829
Mr. Yim Yin Nang	216	—	—	—	216
Mr. Chan Wing Kit (note 2)	125	859	13	—	997
Mr. Ng Wing Cheong, Stephen (note 3)	—	1,209	14	—	1,223
<i>Independent non-executive directors:</i>					
Mr. Au-Yeung Hau Cheong (note 4)	91	—	—	—	91
Mr. Chan Wai Cheung, Admiral	150	—	—	—	150
Mr. Fung Kam Man (note 5)	150	—	—	—	150
Mr. Ng Yat Cheung, JP (note 6)	59	—	—	—	59
Mr. Zhu Xiaobing (note 6)	59	—	—	—	59
	<b>906</b>	<b>2,068</b>	<b>27</b>	<b>773</b>	<b>3,774</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### Directors' remuneration (Continued)

	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Pension contribution HK\$'000	Share-based compensation expenses HK\$'000	Total HK\$'000
<b>Year ended 31 March 2015</b>					
<i>Executive directors:</i>					
Mr. Tse Woon Mo, William (note 7)	88	938	—	—	1,026
Mr. Chan Wing Kit	150	1,574	15	884	2,623
Mr. Yim Yin Nang (note 8)	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
	704	2,512	15	884	4,115

Notes:

Note 1: Mr. Wong Siu Ki appointed on 15 December 2015.

Note 2: Mr. Chan Wing Kit resigned on 26 January 2016.

Note 3: Mr. Ng Wing Cheong, Stephen appointed on 22 April 2015, and resigned on 8 January 2016.

Note 4: Mr. Au-Yeung Hau Cheong appointed on 9 September 2015, and resigned on 11 April 2016.

Note 5: Mr. Fung Kam Man appointed on 1 April 2015.

Note 6: Mr. Ng Yat Cheung and Mr. Zhu Xiao Bing resigned on 22 August 2015.

Note 7: Mr. Tse Woon Mo, William resigned on 5 March 2015.

Note 8: Mr. Yim Yin Nang appointed on 5 March 2015.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### Five highest paid individuals

The five highest paid individuals consisted of 2 (2015: 2) directors of the Company for the year ended 31 March 2016. Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2015:3) highest paid individuals for the year ended 31 March 2016 are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowance and benefits in kind	1,453	1,561
Retirement benefits — defined contribution plans	20	23
Total	1,473	1,584

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

	Number of individuals	
	2016	2015
Nil — HK\$1,000,000	4	3
HK\$1,000,001 — HK\$1,500,000	1	1
HK\$2,500,001 — HK\$3,000,000	—	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: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 (2015: Nil).

## 12. DIVIDENDS

No dividend has been declared by the Company during the year (2015: Nil).

## 13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company includes a loss of approximately HK\$3,966,000 (2015: HK\$6,389,000) which has been dealt with in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 14. DISCONTINUED OPERATIONS

On 30 December 2015, the Group had, through its indirect wholly-owned subsidiary, Colorful Focus Limited (the "Vendor") entered into a disposal agreement ("Disposal Agreement") with Wise Link International Limited, an independent third party. Pursuant to the Disposal Agreement, the Vendor disposed the entire issued share capital of Full Profit Property Services Company Limited (the "Full Profit"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company at HK\$6,000,000. Since then, the Group ceased its provision of property management and property agency services. The disposal was completed on 30 December 2015.

The results of the discontinued operation have been presented separately in the consolidated income statement as this segment represents a major line of business that has been disposed.

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Revenue	<b>6,429</b>	1,089
Cost of sales	—	—
Gross profit	<b>6,429</b>	1,089
Other income	—	60
Administrative expenses	<b>(2,884)</b>	(429)
Profit before income tax	<b>3,545</b>	720
Income tax expenses	<b>(585)</b>	(41)
Profit for the period	<b>2,960</b>	679

## 15. EARNINGS/(LOSS) PER SHARE

<b>Earnings/(Loss) for the purposes of basic and diluted earning/(loss) per share</b>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Loss from continuing and discontinued operations	<b>(6,231)</b>	(8,694)
Less: Loss for the year from continuing operations	<b>9,191</b>	9,373
Profit for the year from discontinued operations	<b>2,960</b>	679
<b>Number of shares</b>	<b>'000</b>	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<b>1,385,635</b>	448,829

No diluted loss per share has been presented for the years ended 31 March 2015 and 31 March 2016 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.

The calculation of the basis loss per share for the prior reporting period have been restated as a result of the Rights Issue effected on 15 October 2015.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 16. PROPERTY, PLANT AND EQUIPMENT

	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 2014	6,245	8,369	484	2,013	17,111
Acquisition of a subsidiary	—	—	22	—	22
Additions	—	76	108	—	184
Disposals	—	—	(7)	(753)	(760)
Exchange realignment	16	21	1	3	41
At 31 March 2015 and 1 April 2015	6,261	8,466	608	1,263	16,598
Additions	—	1,446	37	—	1,483
Disposals	—	(3,187)	(94)	—	(3,281)
Exchange realignment	(292)	(313)	(22)	(58)	(685)
At 31 March 2016	5,969	6,412	529	1,205	14,115
<b>Accumulated depreciation</b>					
At 1 April 2014	2,199	4,178	406	898	7,681
Acquisition of a subsidiary	—	—	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 and 1 April 2015	2,486	4,862	457	1,014	8,819
Depreciation	487	333	46	65	931
Write back on disposals	—	(996)	(8)	—	(1,004)
Exchange realignment	(125)	(181)	(20)	(50)	(376)
At 31 March 2016	2,848	4,018	475	1,029	8,370
<b>Net book amount</b>					
At 31 March 2016	3,121	2,394	54	176	5,745
At 31 March 2015	3,775	3,604	151	249	7,779

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 17. PREPAID PREMIUM FOR LAND LEASES

	HK\$'000
At 1 April 2014	8,807
Amortisation	(220)
Exchange realignment	21
At 31 March 2015 and 1 April 2015	8,608
Amortisation	(198)
Exchange realignment	(398)
At 31 March 2016	8,012

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\$2,019,000 as at 31 March 2016 (2015: HK\$2,835,000). 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. INVESTMENT PROPERTIES

	HK\$'000
At fair value	
At 1 April 2015	—
Acquisition of a subsidiary	23,611
Addition during the year	19,000
Fair value gain	2,789
Disposed of a subsidiary	(26,400)
At 31 March 2016	19,000

(a) The Group's investment property is held in Hong Kong under medium-term leases.

(b) The Group's investment property is leased to third parties under operating leases.

The fair value of the Group's investment properties at 31 March 2016 was HK\$19,000,000. The fair value has been arrived at based on a valuation carried out by B.I. Appraisals Limited, independent valuers not connected with the Group. The fair value was determined on a market value basis using the direct comparison approach.

## 19. INTANGIBLE ASSETS

	Computer Software*	Property agency service contracts#	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	—	—	—
Acquisition of a subsidiary	347	1,657	2,004
Amortisation	(14)	—	(14)
At 31 March 2015 and 1 April 2015	333	1,657	1,990
Disposal of a subsidiary	(333)	(1,657)	(1,990)
At 31 March 2016	—	—	—

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

# The balance was included in current assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 20. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	721	1,841
Work in progress	171	197
Finished goods	1,219	617
	<b>2,111</b>	2,655

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

	2016 HK\$'000	2015 HK\$'000
Listed equity securities in Hong Kong, at market value	13,679	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

	2016 HK\$'000	2015 HK\$'000
Trade receivables	24,248	27,975
Other receivables	44,859	13,144
Prepayments	978	879
	<b>70,085</b>	41,998

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

	2016 HK\$'000	2015 HK\$'000
Within 3 months	4,493	6,927
More than 3 months	19,755	21,048
	<b>24,248</b>	27,975

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 22. TRADE AND OTHER RECEIVABLES (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	4,493	6,927
Less than 1 month past due	146	6,491
1 to 3 months past due	5,635	6,463
4 to 6 months past due	61	536
More than 6 months past due	13,913	7,558
	<b>24,248</b>	27,975

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

	2016 HK\$'000	2015 HK\$'000
At 1 April	2,896	—
Impairment loss recognised	8,579	2,891
Exchange realignment	(286)	5
	<b>11,189</b>	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. CASH AND CASH EQUIVALENTS

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\$3,216,000 as at 31 March 2016 which are denominated in Renminbi ("RMB") (2015: HK\$11,644,000). RMB is not a freely convertible currency.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 24. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
<b>Current liabilities</b>		
Trade payables	1,565	8,838
Accruals and other payables	6,118	5,741
Receipt in advance	2,621	4,489
Deferred income	361	379
	<b>10,665</b>	19,447
<b>Non-current liabilities</b>		
Deferred income	3,157	3,312

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

	2016 HK\$'000	2015 HK\$'000
Within 3 months	23	1,867
More than 3 months	1,542	6,971
	<b>1,565</b>	8,838

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 25. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Secured bank borrowing, repayable within one year	<b>36,048</b>	—

During year ended 31 March 2016, the Group as borrower has entered into a facility agreement with a bank in respect of a term loan of HK\$56,659,000 (the "Term Loan") pursuant to which, among others, the Group is required not to mortgage, assign, charge or otherwise encumber any of its assets without prior written consent from the bank.

As at 31 March 2016, the bank borrowing and other borrowing were repayable within one year and thus were classified as current liabilities.

As at 31 March 2016, the Group's interest-bearing bank borrowings are bearing floating interest rate at 0.85% per annum over benchmark interest rate. The Group's other borrowings are bearing fixed interest rate 9% per annum. (31 March 2015: Nil).

As at 31 March 2016, the Term Loan with outstanding amount of approximately HK\$36,048,000 was guaranteed by a subsidiary of the Company. (31 March 2015: Nil).

The bank borrowing is secured by the Group's leasehold land and building with a net carrying value of HK\$8,012,000 and HK\$3,119,000 respectively at the end of the year ended 31 March 2016 and repayable according to fixed repayment term within one year.

## 26. DEFERRED TAX ASSETS/(LIABILITIES)

	Provision of impairment for trade and other receivables HK\$'000	Revaluation of property HK\$'000	Total HK\$'000
At 1 April 2014	—	(279)	(279)
Credit to profit or loss for the year	723	14	737
Exchange realignment	—	(1)	(1)
At 31 March 2015 and 1 April 2015	723	(266)	457
Exchange realignment	(31)	10	(21)
At 31 March 2016	692	(256)	436

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 27. SHARE CAPITAL

	Number of ordinary share '000	Amount '000
<b>Authorised:</b>		
At 1 April 2014, ordinary shares of HK\$0.1 each	300,000	30,000
Share subdivision (note a)	900,000	—
At 31 March 2015 and 1 April 2015, ordinary shares of HK\$0.025 each	1,200,000	30,000
Increase in authorised share capital (note b)	8,800,000	220,000
At 31 March 2016	10,000,000	250,000
<b>Issued and fully paid:</b>		
At 1 April 2014, ordinary shares of HK\$0.1 each	100,000	10,000
Share subdivision (note a)	300,000	—
Share issued under share option scheme (note c)	2,000	50
Issue of ordinary shares by placing (note d)	80,000	2,000
At 31 March 2015 and 1 April 2015, ordinary shares of HK\$0.025 each	482,000	12,050
Issue to ordinary shares by placing (note e)	96,400	2,410
Rights issue of shares (note f)	1,735,200	43,380
At 31 March 2016	2,313,600	57,840

Notes:

- a) 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.
- b) On 14 October 2015, the Company proposed to increase its authorised share capital, which became effective on 18 September 2015. The increase in the authorised share capital from HK\$30,000,000 divided into 1,200,000,000 Shares of HK\$0.025 each to HK\$250,000,000 divided into 10,000,000,000 Shares of HK\$0.025 each by the creation of an additional 8,800,000,000 unissued Shares which shall rank pari passu in all respect with the then existing Shares.
- c) 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 29 to the financial statements to a director with the issue price of HK\$0.442 per share.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 27. SHARE CAPITAL (Continued)

Notes: (Continued)

- d) 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.
- e) On 24 April 2015, pursuant to the placing and subscription agreement dated 9 April 2015, 96,400,000 ordinary shares of HK\$0.025 each were allotted and issued at the price of HK\$0.154 per share. The net proceeds from the Placing are approximately HK\$14.22 million.
- f) On 15 October 2015, the Company issued offer shares on the basis of three offer shares for every one existing share held on 18 September 2015, at the subscription price of HK\$0.08 per offer share with nominal value of HK\$0.025 each.

## 28. RESERVES

### (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.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 29. SHARE OPTIONS SCHEME

On 11 January 2016, the Company granted to 2 eligible participants a total of 32,000,000 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. The exercisable period of the share options granted are from 12 January 2016 to 11 January 2018 (both dates inclusive).

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. The exercisable period of the share options granted are from 4 September 2014 to 3 September 2016 (both dates inclusive).

### 2016

Grantees	Number of share options					Outstanding at 31 March 2016	Exercise price
	Outstanding at 1 April 2015	Granted during the year	Lapsed during the year	Exercised during the year	Adjusted during the year upon effective of open offer		
Mr. Chan Wing Kit	2,000,000	—	—	—	234,234	2,234,234	HK\$0.396
Employee A	4,000,000	—	(4,000,000)	—	—	—	HK\$0.396
Mr. Wong Siu Ki	—	12,000,000	—	—	—	12,000,000	HK\$0.079
Employee B	—	20,000,000	—	—	—	20,000,000	HK\$0.079
	6,000,000	32,000,000	(4,000,000)	—	234,234	34,234,234	

### 2015

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
Employee A	—	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\$0.097 and their remaining contractual life was approximately 5 months for share option amount of 2,234,234 and 20 months for share option amount of 32,000,000 respectively. 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 2016, valued as at the grant date, was HK\$922,000 (2015: HK\$1,476,000) which was also the amount of share-based compensation expense included in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 29. SHARE OPTIONS SCHEME (Continued)

The following significant assumptions were used to derive the fair value, under Black-Scholes Pricing Model, of the share options granted during the year ended 31 March 2016:

	Mr. Wong Siu Ki	Employee B
Risk free rate	0.87%	0.87%
Annualised dividend yield	nil	nil
Expected volatility	94.11%	94.11%
Exercise multiple	nil	nil

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	Employee A
Risk free rate	0.44%	0.44%
Annualised dividend yield	nil	nil
Expected volatility	139.67%	139.67%
Exercise multiple	2.47	1.60

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 30. 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	2016 HK'000	2015 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 fee to	—	182

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.

### (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:

	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	3,760	4,878
Pension costs — defined contribution plan	26	51
	<b>3,786</b>	4,929

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 31. 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:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,713	245
Within two to five year	1,153	61
	<b>2,866</b>	306

## 32. CONTINGENT LIABILITIES

During the year ended 31 March 2015, Guangdong Jia Meng refused to settle the amount of approximately RMB4,095,000 (approximately HK\$4,996,000) ("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 Guangzhou Zengcheng District People's Court (廣州市增城區人民法院) (the "Zengcheng Court") for the settlement plus accrued interest and related legal costs (the "Proceeding"). On 11 February 2015, the Zengcheng Court issued a court order pursuant to which bank deposits of Guangdong Jia Meng amounting to approximately HK\$5,076,000 were frozen. On 13 June 2015, Guangdong Jia Meng received civil judgement from the Zengcheng Court in favor to the Supplier that Guangdong Jia Meng was ordered to settle the Debt plus accrued interest to the Supplier and related legal costs. On 28 July 2015, Guangdong Jia Meng appealed to Guangzhou Intermediate People's Court (廣州市中級人民法院) to seek revoke of the civil judgement by the Zengcheng Court, compensation of loss suffered by Guangdong Jia Meng due to the quality problems of the raw materials supplied by the Supplier and recovery of legal costs from the Supplier.

On 24 December 2015, the parties to the Proceeding have reached an agreement to settle the Proceeding. As a result, the restricted Bank Deposits was unfreeze pursuant to the Court Order, and the Proceeding was fully resolved following the settlement of outstanding amount due to the Supplier in January 2016.

Save as disclosed above, the Group had no significant contingent liabilities as at 31 March 2016.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### Acquisition

#### (a) *China Universal*

On 21 April 2015, the Group has entered into an agreement to acquire the entire equity interest of China Universal Limited, which is a company incorporated in Hong Kong and principally engaged in the properties holding in Hong Kong, at a consideration of HK\$24,000,000 by cash. The acquisition was completed on 30 July 2015 and accounted for as acquisition of assets.

The fair value of identifiable assets and liabilities of China Universal Limited as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	8
Investment properties	23,611
Cash and cash equivalents	622
Trade and other receivables	39
Accruals and other payables	(280)
Net assets acquired	24,000
Consideration satisfied by cash	24,000

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

	HK\$'000
Cash consideration paid	(24,000)
Cash and cash equivalents acquired	622
Net cash outflow	(23,378)

During the year ended 31 March 2016, China Universal Limited contributed approximately HK\$626,000 to the Group's revenue and profit of approximately HK\$366,000 to the Group's results in aggregate for the period from the date of acquisition to 31 March 2016.

If the acquisition of China Universal Limited had been completed on 1 April 2015, the Group's revenue for the year ended 31 March 2016 would have been approximately HK\$57,869,000 and profit for the year ended 31 March 2016 would have been HK\$2,170,000. The 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 2015, nor is it intended to be a projection of future results.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal

#### (b) Full Profit

During the year ended 31 March 2016, the Group entered into an agreement with an independent third party to dispose of its entire equity interests in Full Profit Property Services Company Limited, an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$6,000,000, after taking into consideration (i) the historical performance of Full Profit Property Services Company Limited and (ii) the unaudited net assets value of Full Profit as at 30 November 2015. The disposal was completed on 30 December 2015.

	HK\$'000
Cash consideration	6,000
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property, plant and equipment	293
Intangible assets	1,657
Trade and other receivables	2,108
Cash and cash equivalents	795
Trade and other payables	(14)
Tax payables	(626)
<b>Net assets disposed of</b>	<b>4,213</b>
<b>Gain on disposal of subsidiaries</b>	<b>1,787</b>

An analysis of net cash inflow in respect of the disposal is as follows:

	HK\$'000
Cash consideration received	6,000
Cash and cash equivalents disposed	(795)
<b>Net cash inflow</b>	<b>5,205</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal (Continued)

#### (c) China Universal

During the year ended 31 March 2016, the Group entered into an agreement with an independent third party to dispose of its entire equity interests in China Universal Limited, an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$25,900,000 with reference to the unaudited net asset value of China Universal Limited as at 4 March 2016. The disposal was completed on 7 March 2016.

	HK\$'000
Cash consideration	25,900
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property, plant and equipment	43
Investment properties	26,400
Trade and other receivables	43
Cash and cash equivalents	59
Trade and other payables	(260)
Tax payables	(456)
<b>Net assets disposed of</b>	<b>25,829</b>
<b>Gain on disposal of subsidiaries</b>	<b>71</b>

#### An analysis of net cash inflow in respect of the disposal is as follows:

	HK\$'000
Cash consideration received	25,900
Cash and cash equivalents disposed	(59)
<b>Net cash inflow</b>	<b>25,841</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 34. STATEMENT OF FINANCIAL POSITION

### (a) Financial Information of the statement of financial position of the Company

	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Interest in subsidiaries	<b>52,086</b>	52,086
<b>Current assets</b>		
Amount due from subsidiaries	<b>182,141</b>	35,447
Cash and cash equivalents	<b>8</b>	50
Total current assets	<b>182,149</b>	35,497
<b>Total assets</b>	<b>234,235</b>	87,583
<b>Current liabilities</b>		
Accruals and other payables	<b>844</b>	799
Amount due to subsidiaries	<b>359</b>	343
Total current liabilities	<b>1,203</b>	1,142
<b>Net current assets</b>	<b>180,946</b>	34,355
<b>NET ASSETS</b>	<b>233,032</b>	86,441
<b>EQUITY</b>		
Share capital	<b>57,840</b>	12,050
Reserves	<b>175,192</b>	74,391
<b>TOTAL EQUITY</b>	<b>233,032</b>	86,441

Approved and authorised for issued by the board of directors on 22 June 2016

**Wong Siu Ki**  
Director

**Matthew Chung**  
Director



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 34. STATEMENT OF FINANCIAL POSITION (Continued)

### (b) Movement of reserves of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 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 29)	—	—	1,476	—	1,476
Share issued under share-option scheme (note 27(c))	1,276	—	(442)	—	834
Share issued by placing (note 27(d))	14,342	—	—	—	14,342
At 31 March 2015 and 1 April 2015	28,842	52,085	1,034	(7,570)	74,391
Loss for the year	—	—	—	(2,825)	(2,825)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(2,825)	(2,825)
Recognition of share — based payments (note 29)	—	—	922	—	922
Share issued by placing (note 27(e))	11,580	—	—	—	11,580
Rights issue of shares (note 27(f))	91,124	—	—	—	91,124
At 31 March 2016	131,546	52,085	1,956	(10,395)	175,192

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 35. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2016 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 liabilities company</b>					
Colorful Focus Limited ("Colorful 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
Grandeur Industries Limited	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
廣東家夢健康寢具有限公司 ("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	PRC	Registered capital — RMB5,000,000 Paid-up capital — RMB1,000,000	—	100%	Manufacturing of home furniture-mattress, soft bed and healthy concept products in the PRC

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 35. PARTICULARS OF 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	
Prudent Success Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Excellent Shine Limited*	Hong Kong	Share capital — HK\$1	—	100%	Investment holding in Hong Kong
Wisdom Empire Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Koala Enterprises Limited*	Hong Kong	Share capital — HK\$1	—	100%	Investment holding in Hong Kong
Natural Yeild Investment Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI

\* The companies were newly incorporated during the year.

The following information relating to non-wholly owned subsidiaries that have material non-controlling interests ("NCI").

The summarised financial information represents amounts before intercompany eliminations.

廣東家夢健康寢具股份有限公司

	<b>2016</b>
	HK\$,000
<b>At 31 March</b>	
Non-current assets	30,354
Current assets	57,132
Non-current liabilities	(2,721)
Current liabilities	(40,435)
	44,330
Carrying amount of NCI	504
Year ended 31 March	
Revenue and other income	37,728
Expenses	(49,287)
Loss for the year	(11,559)
Loss attributable to NCI	(116)

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 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:

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	13,679	2,610
Loans and receivables:		
Trade and other receivables	69,107	41,119
Restricted bank deposits	—	5,250
Cash and cash equivalents	174,467	53,373
	<b>257,253</b>	102,352
<b>Financial liabilities</b>		
Financial liabilities at amortised costs:		
Trade and other payables	7,683	14,579
Bank borrowings	36,048	—
	<b>43,731</b>	14,579

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### 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 23 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):

	2016 HK\$'000	2015 HK\$'000
<b>Increase/(decrease) in profit/(loss) for the year and retained profits</b>		
Increase/(decrease) in basis point ("bp")		
+50 bp	592	(278)
-50 bp	(592)	278

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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### 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.

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.

### 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>Total undiscounted amount</b> HK\$'000	<b>Carrying amount</b> HK\$'000
<b>At 31 March 2016</b>			
Trade and other payables	<b>7,683</b>	<b>7,683</b>	<b>7,683</b>
Bank borrowing	<b>36,559</b>	<b>36,559</b>	<b>36,048</b>
<b>At 31 March 2015</b>			
Trade and other payables	14,579	14,579	14,579

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 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 2015 and 2016 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 2015 and 31 March 2016, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at 31 March 2016</b>				
Financial assets at fair value through profit or loss	13,679	—	—	13,679
<b>Financial assets at 31 March 2015</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

31 March 2016

## 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:

	2016 HK\$'000	2015 HK\$'000
Trade and other payables	13,822	22,759
Bank borrowings	36,048	—
	49,870	22,759
Less: Cash and cash equivalents	174,467	53,373
Net debt	N/A	N/A
Equity	242,807	102,250
Net debt to equity ratio	N/A	N/A

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

## 38. EVENTS AFTER THE REPORTING DATE

- On 29 April 2016, Natural Yield Limited, a subsidiary of the Company, completed the acquisition of property at consideration of HK\$16,500,000. The detail of the results of the acquisition of property were set out in the announcement of the Company dated 29 April 2016.
- On 6 May 2016, Raise Steady Limited, a subsidiary of the Company, enter into an agreement with a vendor pursuant to which Raise Steady conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at the consideration of HK\$2,730,000. The principle business of the target company is money lending.
- On 19 May 2016, Aim Extreme Limited, a subsidiary of the Company, enter into an agreement with a vendor pursuant to which Aim Extreme conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares of a target company at the consideration of HK\$158,000,000. The principle business of the target company is investment holding. Up to the date of issuance these consolidated financial statements, the possible acquisition has not yet completed. The detail of the possible acquisition are set out in the announcement of the Company dated 19 May 2016.



## FIVE YEARS FINANCIAL SUMMARY

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

	<b>For the year ended 31 March</b>				
	<b>2016 HK\$'000</b>	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	<b>57,511</b>	90,077	132,994	127,871	122,031
Cost of sales	<b>(44,931)</b>	(70,278)	(96,747)	(90,928)	(86,653)
Gross profit	<b>12,580</b>	19,799	36,247	36,943	35,378
Other income	<b>3,407</b>	800	323	538	1,110
Selling and distribution expenses	<b>(3,290)</b>	(5,040)	(7,401)	(6,939)	(6,188)
Administrative expenses	<b>(30,024)</b>	(16,774)	(15,670)	(9,191)	(6,357)
Research expenses	<b>(2,400)</b>	(4,480)	(4,358)	(3,876)	(4,444)
Other operating expenses	<b>(1,666)</b>	(2,891)	—	—	—
Fair value gain on financial assets at fair value through profit or loss	<b>12,939</b>	1,193	—	—	—
Fair value gain on investment property	<b>2,789</b>	—	—	—	—
Gain from bargaining purchase	<b>—</b>	574	—	—	—
Finance costs	<b>(1,983)</b>	—	(5)	(18)	(374)
<b>(Loss)/Profit before income tax</b>	<b>(7,648)</b>	(6,819)	9,136	17,457	19,125
Income tax expenses	<b>(1,659)</b>	(2,538)	(4,495)	(6,840)	(3,347)
<b>(Loss)/Profit after taxation from continuing operations</b>	<b>(9,307)</b>	(9,357)	4,641	10,617	15,778
<b>Profit from discontinued operations</b>	<b>2,960</b>	679	—	—	—
<b>Profit/(Loss) for the year attributable to:</b>					
— Owners of the Company	<b>(6,231)</b>	(8,694)	4,516	10,469	15,633
— Non-controlling interests	<b>(116)</b>	16	125	148	145
	<b>(6,347)</b>	(8,678)	4,641	10,617	15,778

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	<b>As at 31 March</b>				
	<b>2016 HK\$'000</b>	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
TOTAL ASSETS	<b>294,136</b>	125,245	117,916	94,687	96,548
TOTAL LIABILITIES	<b>(51,329)</b>	(22,995)	(25,888)	(41,901)	(54,642)
NON-CONTROLLING INTERESTS	<b>(504)</b>	(1,020)	(1,002)	(861)	(704)
	<b>242,303</b>	101,230	91,026	51,925	41,202