



**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  
**2017**

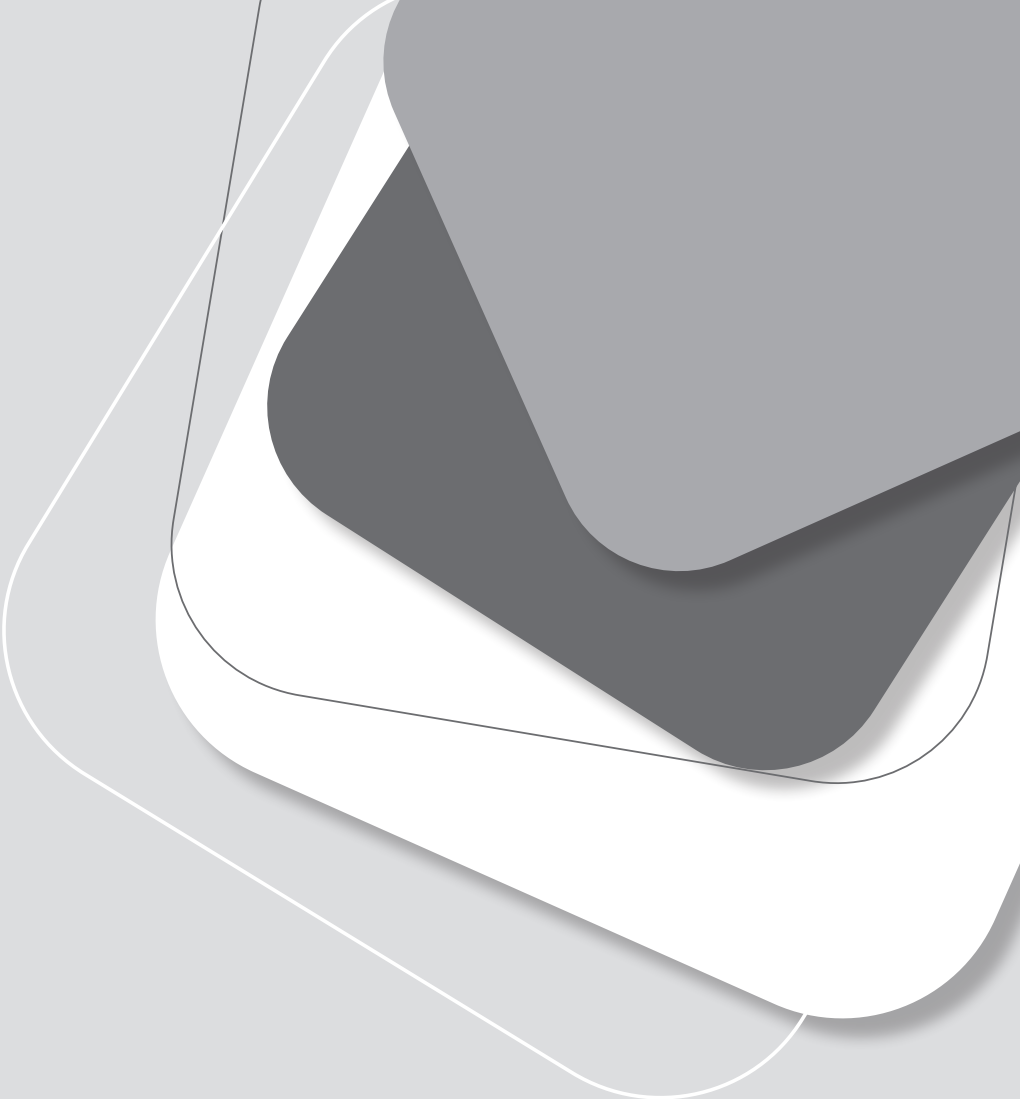
## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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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. Wong Siu Ki  
Mr. Matthew Chung (*appointed on 11 April 2016*)  
Mr. Wong Pak Kan Martin  
(*appointed on 20 December 2016*)

### Independent Non-executive Directors

Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Ms. Lai Mei Kwan (*appointed on 21 September 2016*)  
Mr. Au-Yeung Hau Cheong (*resigned on 11 April 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Fung Kam Man (*resigned on 21 September 2016*)

## AUTHORISED REPRESENTATIVES

Mr. Wong Siu Ki  
Mr. Wong King Chung

## COMPANY SECRETARY

Mr. Wong King Chung

## COMPLIANCE OFFICER

Mr. Wong King Chung

## AUDIT COMMITTEE

Mr. Chan Chun Wing (*Chairman*)  
(*appointed on 23 May 2016*)  
Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Ms. Lai Mei Kwan (*appointed on 21 September 2016*)  
Mr. Au-Yeung Hau Cheong (*resigned on 11 April 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Fung Kam Man (*resigned on 21 September 2016*)

## NOMINATION COMMITTEE

Mr. Tang Kin Chor (*Chairman*) (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Ms. Lai Mei Kwan (*appointed on 21 September 2016*)  
Mr. Au-Yeung Hau Cheong (*resigned on 11 April 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Fung Kam Man (*resigned on 21 September 2016*)

## REMUNERATION COMMITTEE

Mr. Lai Mei Kwan (*Chairman*)  
(*appointed on 21 September 2016*)  
Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Mr. Au-Yeung Hau Cheong (*resigned on 11 April 2016*)  
Mr. Chan Wai Cheung, Admiral (*resigned on 23 May 2016*)  
Mr. Fung Kam Man (*resigned on 21 September 2016*)

## AUDITOR

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

## LEGAL ADVISER

Lin and Associates

## 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 2017 (the "Year").

## INDUSTRY REVIEW

In the year 2016, China economy remained feeble and weak. However, there were signs that downward trend of the economy might finally be stabilized and it is time for the industry to reposition ourselves and get ready for the new opportunities and challenge in 2017.

For the year ended 31 December 2016, PRC's gross domestic product ("GDP") annual growth rate was at 6.7% which was lower than the rate at 6.9% for the year ended 31 December 2015. It was the weakest full-year expansion in 26 years as investment and consumption growth has softened. Nevertheless, GDP increased to 6.9% in the first quarter of 2017. It was the strongest expansion since the September quarter 2015, supported by faster rises in industrial output, retail sales and fixed-assets investment while fiscal spending surged. However, the outlook of 2017 is still full of uncertainties. On one hand, government officials have vowed to push ahead with reforms, but on the other hand, the central bank has moved to a tighter monetary policy. Nevertheless, there are still opportunities ahead of us. Take furniture industry as an example, the growth is rapid in recent years benefited from the continuous improving living standard in China. In 2017 alone, there were two custom-made furniture companies successfully listed in the Shenzhen Stock Exchange and Shanghai Stock Exchange respectively. Based on the Thirteen Five-Year Plan (2016 to 2020), the target sales for the overall furniture industry is RMB1,270 billion in 2020, which is equivalent to 8% to 10% increase each year. Being one of the market participant in the mattress and soft bed production business, it represent a great expansion possibilities for us as the demand for furniture increase will normally have positive correlation with the demand for mattress and soft bedding products. At least, there will be positive complements impact.

For mattress and soft bedding products sales business, the Group had been struggling through the hard time during the year, but successfully maintain a reasonable scale of turnover during the year under review. In addition, the Company had done one step further. We have actually entered into an agreement with a vendor in March 2017 to acquire the entire equity interest of the Target Company which is principally engaged in custom-made furniture business in China. Due to the size of the proposed transaction, the Company is currently preparing a shareholder circular for shareholders to consider and approve on an extraordinary general meeting ("EGM"). The business model of this Target Company will certainly bring synergy to the Group as their sales are mainly through the rapidly expanding franchise stores network. Sales from the franchise stores are mainly prepayment, and in return, both the account receivable period and magnitude are minimized for the Target Company. Inventory level is also low, as their production are make-to-order, and all products are despatched to franchise stores in timely fashion without incurring additional storage cost. Such business model require less capital investment as well as less working capital to maintain its operation.

On one hand, the Company is determine to seize every expansion possibility, such as the proposed acquisition mentioned above. We have also explored many other business opportunities. These opportunities were not limited to traditional industries, some of them were related to the application of new technologies, some others were more toward cultural and creative business. On the other hand, our management team are also endeavor to continue with our previous effort in diversifying Company's investment direction. The Company's property investment business, securities trading business and money lending business were all performing as intended during the year.

# CHAIRMAN'S STATEMENT

## Property Investment

During the year, the Group had further invested over HK\$186.1 million for three investment properties. Turnover generated from the rental income has been increased from approximately HK\$627,000 in 2016 to approximately HK\$1.8 million in 2017. The increase is around 300%. However the net profit from the segment was increased from approximately HK\$240,000 in 2016 to approximately HK\$10.8 million in 2017. Such surreal increase in net profit is due to the fair value gain of approximately HK\$13 million during the year.

## Securities Trading

The working capital being invested in the securities trading business has been increased. And, the value of the cost of the investment portfolio was also increased from approximately HK\$ 10.7 million as at 31 March 2016 to approximately HK\$ 29.0 million as at 31 March 2017. However, due to the exceptional good performance of the segment, the fair value of the portfolio (i.e. financial assets at fair value through profit or loss) has reached to approximately HK\$165.2 million level. The net profit for the segment increased from approximately HK\$ 5.0 million to approximately HK\$125.5 million this year. Which has included unrealized fair value gain of approximately HK\$ 136.2 million. Going forward, the Group will maintain its portfolio scale at this current level and take profit whenever is appropriate.

## Money Lending

The Group acquired money lending business in May 2016. It is a new business segment in addition to the Group's other businesses during the year. The Group was maintaining a loan receivable scale of approximately HK\$20 million during the year. The loan interest income generated from the segment was approximately HK\$1.5 million for the year and net profit for the segment was approximately HK\$1.2 million. Going forward, the Group is intended to maintain the loan receivable scale to no more than HK\$30 million level, and the loan interest rate will be ranging from 8% to 15% per annum.

## OUTLOOK AND FUTURE PROSPECTS

Last year, we reaped the fruits of our diversification strategy planted a couple of years ago. Both the implementation and the results of such diversification was proved to be encouraging. Going forward, it is believed that the global economy will be stabilizing for a brief period of time. Governments would generally encourage spending and investment to boost economy, but at the same time very cautious in the control of inflation through monetary policy. Even though the GDP in China has shown sign of slowing down, China is still a vast market with expansion opportunities compared with many other places in the World. While nothing is quite certain in the coming year, we know that companies need to move fast to adopts new technologies, trend and changes to survive. The Company shall welcome new challenge ahead of us and continue to look out for new business opportunities. On one hand, we shall find ways to consolidate our existing advantage in order to preserve and maintain what we have achieved during the year. More importantly, the Company will closely monitor the market trend and respond to it with new products and services that are profitable in the new era.

## APPRECIATION

I am optimistic toward the challenging year of 2017 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 2017 (2016: Nil).

## BUSINESS REVIEW

During the Year, businesses in China had experienced probably the most difficult time in recent years. GDP in China dropped to a new low in 26 years. The economy was sluggish, and the State Government has implemented measures to give the economy a lift. In return, GDP in China did show improvement in the first quarter of 2017. However, it complicated the situation and causing overheat in certain segments. The fundamental problem of overcapacity, bad debt and high labour cost was only deepened from last year. The challenge for the Group in previous two year were to maintain momentum for sales and production, and to seek for a business model that will facilitate a sustainable growth in future. These objectives remains the same during the year under review for the mattress and soft bed products segment.

The turnover of the segment was only 12.9% decreased from approximately HK\$56.9 million in 2016 to approximately HK\$49.5 million for the Year. And, the bottom line was a net loss of approximately HK\$2.6 million for the Year, which had been greatly improved from 2016's net loss of approximately HK\$10.1million. The decrease in turnover was very much anticipated by the management and it was more or less reflecting the overall sluggish economy in China. The reduced net loss of the segment, was however mainly resulted from the discontinued operation of one of the subsidiaries in PRC that was belong to the segment, which had incurred net loss of approximately HK\$11.6 million during the Year. Following the slightly improvement on the general economy and clearance of all doubtful debts, we are targeting to turn around the net loss situation in next year.

Last year the securities trading business was just started and this year the Company had invested more financial resources in this segment. The initial financial resources being channeled to this segment was increased by approximately 170.4%, the value of the cost of the investment portfolio was increased from approximately HK\$10.7 million as at 31 March 2016 to approximately HK\$29.0 million as at 31 March 2017. However, due to the outstanding performance of the segment during the Year, the fair value of the portfolio (i.e. financial assets at fair value through profit or loss) has further surged to approximately HK\$165.2 million level as at the year end day, which was mainly attributable to an unrealized fair value gain of approximately HK\$ 136.2 million. The fair value gain mainly arose from the Group's investment on shares listed on the Hong Kong Stock Exchange. During the Year, the Group recognised significant fair value gain from investment in Luen Wong Group Holdings Limited, the shares of which is listed on GEM with listed code of 8217. The investment was acquired at a cost of approximately HK\$2.0 million during the first quarter of 2016. In June 2016, the Group had disposed part of its stock holding and recognized a profit of approximately HK\$2.4 million. Its remaining fair value as at 31 March 2017 was approximately HK\$138.7 million which resulted in a unrealized fair value gain of approximately HK\$136.8 million. The net profit for the segment increased from approximately HK\$ 5.0 million from last year to approximately HK\$125.5 million for this year. Unfortunately, fluctuation in performance of the segment is inevitable.

# MANAGEMENT DISCUSSION AND ANALYSIS

For property investment business, the Group had completed the repositioning of our investment strategy to focus on only commercial building in core areas in Hong Kong. As a result, the Group had directly acquired two new investment properties (2016: only one investment property) and acquired 25% of equity interest of an associate company that owns an investment property. The total original cost invested in the segment and the associate company was amounting to HK\$186.1 million (approximately HK\$19 million in 2016). The rental income generated directly from this segment was approximately HK\$1.8 million (approximately HK\$627,000 in 2016). And the segment profit was approximately HK\$10.8 million (approximately HK\$240,000 in 2016). The tremendous increase in profit was due to both the increased in scale of the investment in the segment and fair value gain on these investment properties amounting to approximately HK\$13 million. The performance of the segment was encouraging. At the moment, the management has no new acquisition plan yet and would maintain the current investment scale.

Money lending business was a new addition to the Group during the Year. Total loan receivable as of the Year end day was approximately HK\$20 million. Interest rate charged to borrower were ranged from 8% to 9% per annum. The total interest generated from the business was approximately HK\$1.5 million. And, net profit of this new segment is approximately HK\$1.2 million. Going forward, the Group is intended to maintain the loan receivable scale to no more than HK\$30 million level, and the loan interest rate will be ranging from 8% to 15% per annum.

## SIGNIFICANT INVESTMENTS

As at 31 March 2017, the Group held approximately HK\$165.1 million equity investments at fair value through profit or loss (2016: approximately HK\$13.7 million). Details of the significant investments are as follows:

	Notes	Stock Code	Place of incorporation	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets %
Luen Wong Group Holdings Limited	1	08217	Cayman Islands	136,802	138,700	79.0%	36.9%
Deson Construction International Holdings Limited	2	08268	Cayman Islands	1,119	5,394	3.1%	1.4%
Leap Holdings Group Ltd	3	01499	Cayman Islands	(88)	4,685	2.7%	1.2%
Sunrise (China) Technology Group Limited	4	08226	Cayman Islands	651	5,879	3.3%	1.6%
Individual Investment of net assets the Group				(2,333)	10,502	6.0%	2.8%

Notes:

1. Luen Wong Group Holdings Limited was principally engaged in the provision of civil engineering works and investment holding. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$87,878,000 as at 30 September 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

- Deson Construction International Holdings Limited was principally engaged as contractor in the building industry operating in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$82,418,000 as at 30 September 2016.
- Leap Holdings Group Limited was principally engaged in provision of foundation works and ancillary services, provision of construction wastes handling, investment in securities and money lending business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$346,636,000 as at 30 September 2016.
- Sunrise (China) Technology Group Limited is an investment holding company. Its subsidiaries are principally engaged in (i) Securities brokerage & investment; (ii) manufacture and sales of straw briquettes (disposed in the first quarter of 2016); (iii) trading of commodities; (iv) trading of garment accessories; (v) manufacture and sales of LED digital display products and (vi) money lending. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$106,285,000 as at 31 December 2016.

As at 31 March 2017, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$101.3 million and income recognised in revenue for the amount of HK\$27.4 million.

Details of the transactions are as follows:

	<b>Stock code</b>	<b>Place of incorporation</b>	<b>Sales proceeds</b> HK\$'000	<b>Realised gain/(loss)</b> HK\$'000
Expert Systems Holdings Ltd	08319	Cayman Islands	6,307	2,264
Royal Catering Group Holdings Company Limited	08300	Cayman Islands	5,734	4,249
Goal Forward Holdings Limited	08240	Cayman Islands	5,767	3,538
K W Nelson Interior Architect Group Limited	08411	Cayman Islands	2,481	1,127
Hanny Holdings Limited	00275	Bermuda	4,790	1,590
Leap Holdings Group Limited	01499	Cayman Islands	19,374	7,464
Wealth Glory Holdings Ltd	08269	Cayman Islands	4,493	1,245
Convoy Global Holdings Limited	01019	Cayman Islands	2,240	(1,131)
QPL International Holdings Ltd	00243	Bermuda	4,096	2,013
Luen Wong Group Holdings Limited	08217	Cayman Islands	2,472	2,348
WLS Holdings Limited	08021	Cayman Islands	3,223	(1,457)
Investment with Individual Realised Gain/(Loss) Less than HK\$1,000,000			40,298	4,224

Continuing with previous diversification effort, the Group increased its investment in all three other segments. The Group's turnover is now less dependent on the mattress and soft bed products segment. And net profit also improved significantly mainly due to the fair value gain on financial assets at fair value through profit or loss and investment properties. Going forward, the Group will continue to explore new investment opportunities and aim to invest in company that has more stable and sustainable business model.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Turnover

The turnover of the Group for the year ended 31 March 2017 was approximately HK\$52.8 million, representing a decrease of approximately 8.1% as compared to the financial year of 2016. Turnover consists mainly of sales of mattress and soft bed products approximately HK\$49.5 million, which represents 93.8% of the total segment revenue. The decrease in turnover was mainly due to the decreasing demand for soft beds and mattresses products. Another component of the turnover is the rental income generated from property investment segment, which is approximately HK\$1.8 million representing 3.4% of the total segment revenue. Another new segment introduced during the Year was money lending. The interest income generated from the business was approximately HK\$1.5 million representing 2.8% of the total segment revenue.

### Other income

The other income of the Group comprised with interest income, exchange gain, government grants, dividend income received from investment in securities as well as convertible bond, reversal of impairment on account receivable that was being written off previously and fair value gain from convertible bond invested. Other income increased from approximately HK\$3.4 million in the financial year of 2016 to approximately HK\$8.5 million in the financial year of 2017. The increase were mainly due to the realization of Government grants of approximately HK\$3.4 million and reversal of impairment on account receivable of approximately HK\$3.2 million.

### 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 2017, the Group's administrative expenses increased to approximately HK\$36.6 million compared with approximately HK\$21.4 million for the financial year 2016, representing an increase of approximately 70.6%. The increase was mainly due to exhibition expenses for promoting mattress and soft bed products; legal and professional fee with various corporate exercises as the Group started a new segment and involved in more acquisition and disposal transactions; renovation expenses for investment properties acquired during the Year; and share based payment for the share options granted during the Year.

### Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2017 were approximately HK\$4.3 million (2016: HK\$3.3 million). Increased in selling and distribution expenses was mainly due to the renewal of trademark expense for the sales of mattress and soft bed products.

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

As at 31 March 2017, the Group had financial assets at fair value through profit or loss of approximately HK\$165.2 million (2016: HK\$13.7 million). The Group recorded fair value gain on financial assets at fair value through profit or loss approximately HK\$163.6 million during the Year (2016: HK\$12.9 million).

### Income tax expense

Income tax expense increased from approximately HK\$1.7 million in the financial year of 2016 to approximately HK\$28.1 million in the financial year of 2017, which was mainly attributable to the increase in deferred tax resulted from unrealized fair value gain of financial assets at the year end day.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit/(loss) for the year

As a result of the foregoing factors, the Group recorded a profit of HK\$116.7 million for the year ended 31 March 2017 (2016: loss of HK\$6.3 million), and basic earning per share amounted to HK\$0.46 cents for the year ended 31 March 2017 (2016: loss per share HK cents 0.45).

## Trade and other receivables

Trade and other receivables increased slightly to approximately HK\$75.4 million as at 31 March 2017 from approximately HK\$70.1 million as at 31 March 2016. This Year the Company had further written off long outstanding receivables amounting to HK\$7.5 million during the year. Despite of the decrease in turnover, the Company has to offer similar level of credit terms to customers in order to secure their orders.

## Trade and other payables

Trade and other payables increased to approximately HK\$31.1 million as at 31 March 2017 from approximately HK\$10.7 million as at 31 March 2016 which was mainly due to the increased in credit terms and magnitude provided by vendors of the mattress and soft bed products business.

## 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), the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. Such net proceeds have been used in the following manner:

	<b>Net proceeds</b> (HK\$ in million)	<b>Approximate amount of net proceeds utilised up to 31 March 2017</b> (HK\$ in million)	<b>Approximate amount of net proceeds unutilised up to 31 March 2017</b> (HK\$ in million)
Participate in overseas trade fairs	3.2	3.2	0.0
Production design, research and development and hire of new designer	2.4	2.4	0.0
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2.0	1.3	0.7
Construct new production facility	4.6	—	4.6
General working capital	1.2	1.2	0.0
<b>Total</b>	<b>13.4</b>	<b>8.0</b>	<b>5.3</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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

- (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. The proceeds have been 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\$114.5 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.
- (iv) On 11 November 2016, a total of 462,720,000 ordinary shares at HK\$0.1 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 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\$44.80 million. Approximately HK\$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK\$18 million was used for general working capital purpose.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2017, the Group maintained cash and cash equivalents amounting to HK\$20.2 million (2016: HK\$174.5 million). Net current assets decreased from approximately HK\$212.8 million in 2016 to approximately HK\$202.8 million in 2017.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 approximately 8.3% (2016:12.26%).

## CAPITAL COMMITMENTS

As at 31 March 2017, the Group had no significant capital commitments.

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2017.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 29 March 2017, Ultimate Rise Limited (“Ultimate Rise”), a direct wholly-owned subsidiary of the Company, enter into an agreement with a vendor pursuant to which Ultimate Rise conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares and shareholder’s loan of a target company at the consideration of HK\$212,000,000 and to be settled by the Company for and on behalf on the Purchaser by way of issuing a redeemable convertible bond in the principal amount of the same to the vendor . The principal business of the target group is the manufacture of custom-made furniture under the brand name of “壹家壹品” (“Yijia Yipin”).

The Company will seek approval for, among others, the issue of the Conversion Shares under the Specific Mandate from the Shareholders at an EGM. This EGM will be held at 10:00 a.m. on 10 July 2017.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group engaged a total of 184 employees (2016: 184). Total staff costs including Directors’ remuneration for the financial year of 2017 amounted to approximately HK\$15.9 million (2016: HK\$14.7 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.

During the year ended 31 March 2017, the Company granted to certain eligible participants a total of 72.544 million (2016: 32 million) share options to executive Directors, employees and consultant of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a furniture manufacturer in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. Regarding to the Company other business in Hong Kong, there are no specific environmental standards and/or requirements for conducting the Group's business in Hong Kong. The Group is aware of environmental protection and social responsibility as an enterprise citizen and promotes healthy work place.

During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group's Environmental, Social and Governance Report for the year ended 31 March 2017 will be published on the respective websites of the Stock Exchange and the Company on or before 20 July 2017.

## 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\$1,500 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\$1,500 (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

On 23 June 2017, a notice of extraordinary general meeting was announced and a circular was despatched regarding to the major transactions being announced on 29 March 2017.

On 29 March 2017, Ultimate Rise Limited ("Ultimate Rise"), a direct wholly-owned subsidiary of the Company, enter into an agreement with a vendor pursuant to which Ultimate Rise conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares and shareholder's loan of a target company at the consideration of HK\$212,000,000 and to be settled by the Company for and on behalf on the Purchaser by way of issuing a redeemable convertible bond in the principal amount of the same to the vendor. The principal business of the target group is the manufacture of custom-made furniture under the brand name of "壹家壹品" ("Yijia Yipin").

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 14 September 2016, Wisdom Empire Limited, a subsidiary of the Company, completed the acquisition of 25% of the total issued share capital of the target company with the principal asset which is a commercial office building comprises a whole floor of CFC TOWER (中福商業大廈), No. 28 Mody Road, Kowloon. The Consideration was satisfied by the issue of 115,680,000 New Shares by the Company at the share price of HK\$0.10 per New Shares.

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 2017, 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 2017 were:

#### **Executive Directors (Note 1)**

Mr. Hung Cho Sing (*Chairman*) (*appointed on 23 May 2016*)

Mr. Yim Yin Nang

Mr. Wong Siu Ki

Mr. Matthew Chung (*appointed on 11 April 2016*)

Mr. Wong Pak Kan Martin (*appointed on 20 December 2016*)

#### **Independent Non-executive Directors (Note 2)**

Mr. Tang Kin Chor (*appointed on 11 April 2016*)

Mr. Chan Chun Wing (*appointed on 23 May 2016*)

Ms. Lai Mei Kwan (*appointed on 21 September 2016*)

Note 1: On 23 May 2016, Mr. Hung Cho Sing was appointed as an executive Director and chairman.

On 11 April 2016, Mr. Matthew Chung was appointed as an executive Director.

On 20 December 2016, Wong Pak Kan Martin appointed was an executive Director.

Note 2: On 11 April 2016, Mr. Tang Kin Chor was appointed as an Independent non-executive Director.

On 23 May 2016, Mr. Chan Chun Wing was appointed.

On 21 September 2016, Ms. Lai Mei Kwan was appointed.

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

On 23 May 2016, Mr. Chan Wai Cheung, Admiral was resigned.

On 21 September 2016, Mr. Fung Kam Man was resigned



# CORPORATE GOVERNANCE REPORT

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

As at 31 March 2017, the Board consisted of a total of eight members, including five 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 33 to 34 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 2017, 12 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
<i>Executive Directors</i>				
Mr. Hung Cho Sing	8/12	—	—	—
Mr. Yim Yin Nang	7/12	—	—	—
Mr. Wong Siu Ki	12/12	—	—	—
Mr. Matthew Chung	7/12	—	—	—
Mr. Wong Pak Kan Martin	1/12	—	—	—
<i>Independent non-executive Directors</i>				
Mr. Tang Kin Chor	4/4	4/4	1/1	1/1
Mr. Chan Chun Wing	4/4	4/4	1/1	1/1
Ms. Lai Mei Kwan	2/4	2/4	1/1	1/1
Mr. Au-Yeung Hau Cheong	0/4	0/4	0/1	0/1
Mr. Chan Wai Cheung, Admiral	0/4	0/4	0/1	0/1
Mr. Fung Kam Man	2/4	2/4	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.

# CORPORATE GOVERNANCE REPORT

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 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 Ms. Lai Mei Kwan. 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 2017.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2017 and no material non-compliance issue has been identified.

# CORPORATE GOVERNANCE REPORT

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 16 in this annual report.

Note: On 11 April 2016, Mr. Tang was appointed as a member of Audit Committee.  
On 23 May 2016, Mr. Chan was appointed as a chairman of Audit Committee.  
On 21 September 2016, Ms. Lai was appointed as a member of Audit Committee.

## Remuneration Committee

The Company established the Remuneration Committee on 26 September 2013 which comprised three independent nonexecutive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Ms. Lai Mei Kwan. Ms. Lai Mei Kwan 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 16 in this annual report.

Note: On 11 April 2016, Mr. Tang was appointed as a member of Remuneration Committee.  
On 23 May 2016, Mr. Chan was appointed as a member of Remuneration Committee.  
On 21 September 2016, Ms. Lai was appointed as a chairman of Remuneration Committee

## Senior management’s remuneration

Senior Management’s remuneration payment of the Group for the year ended 31 March 2017 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 three independent nonexecutive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Ms. Lai Mei Kwan. Mr. Tang Kin Chor is the chairman of the Nomination Committee. (Note)

# CORPORATE GOVERNANCE REPORT

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 16 in this annual report.

Note: On 11 April 2016, Mr. Tang was appointed as a chairman of Remuneration Committee.  
On 23 May 2016, Mr. Chan was appointed as a member of Nomination Committee.  
On 21 September 2016, Ms. Lai 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. Hung Cho Sing, Mr. Yim Yin Nang, Mr. Wong Siu Ki, Mr. Matthew Chung, Mr. Wong Pak Kin Martin, Mr. Fung Kam Man, Mr. Chan Chun Wing and Ms. Lai Mei Kwan) 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 2017 and up to the date of this annual report.

# CORPORATE GOVERNANCE 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 2017.

## SHAREHOLDERS' RIGHTS

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

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

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

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

### (c) Enquiries to the Board

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

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2017 is set out as follows:

<b>Services rendered</b>	<b>2017 HK\$'000</b>
Audit services	<b>590</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 is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle the all significant risks associate with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

# CORPORATE GOVERNANCE REPORT

- Risk avoidance: change business process or objective so as to avoid the risk;
- Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market.
- Risk transfer: transfer ownership and liability to a third party

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year under review, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2017.

The Board considered that, for the year ended 31 March 2017, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

## 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 2017, 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 2017, 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 2017.

## 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 38 to the financial statements.

## RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 40 to 104.

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 pages 105 to 106. 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 15 to the financial statements.



# REPORT OF THE DIRECTORS

## BANK BORROWINGS

At 31 March 2017, the Group had bank borrowings HK\$42,803,000 (2016: HK\$36,048,000). The bank borrowing is secured by the Group's leasehold land and building with a net carrying value of HK\$7,298,000 and HK\$2,141,000 respectively at the end of the year ended 31 March 2017 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 30 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 March 2017, the Company's reserves, calculated in accordance with the provisions of the Cayman Islands' legislation, amounted to approximately HK\$143.7 million (2016: HK\$25.9 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 2017.

# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors of the Company during the Year were:

### Executive Directors (Note 1)

Mr. Hung Cho Sing (*Chairman*) (*appointed on 23 May 2016*)  
Mr. Yim Yin Nang  
Mr. Wong Siu Ki  
Mr. Matthew Chung (*appointed on 11 April 2016*)  
Mr. Wong Pak Kan Martin (*appointed on 20 December 2016*)

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

Mr. Tang Kin Chor (*appointed on 11 April 2016*)  
Mr. Chan Chun Wing (*appointed on 23 May 2016*)  
Ms. Lai Mei Kwan (*appointed on 21 September 2016*)

Note 1: On 23 May 2016, Mr. Hung Cho Sing was appointed as an executive Director and chairman.  
On 11 April 2016, Mr. Matthew Chung was appointed as an executive Director.  
On 20 December 2016, Wong Pak Kan Martin appointed was an executive Director.

Note 2: On 11 April 2016, Mr. Tang Kin Chor was appointed as an Independent non-executive Director.  
On 23 May 2016, Mr. Chan Chun Wing was appointed.  
On 21 September 2016, Ms. Lai Mei Kwan was appointed.  
On 9 September 2015, Mr. Au-Yeung Hau Cheong was appointed, and resigned on 11 April 2016.  
On 23 May 2016, Mr. Chan Wai Cheung, Admiral was resigned.  
On 21 September 2016, Mr. Fung Kam Man 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 33 and 34 of this annual report.

# REPORT OF THE DIRECTORS

## 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.

Executive Directors namely Mr. Wong Siu Ki, Mr. Matthew Chung and Mr. 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.

Independent non-executive Director, Mr. Tang Kin Chor, Mr. Chan Chun Wing and Ms. Lai Mei Kwan have entered into a letter of appointment with the Company for a period of three years commencing from 11 April 2016, 23 May 2016 and 21 September 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 2017, the Group had certain transactions with its related parties. Details of these transactions are set out in note 38 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.

# REPORT OF THE DIRECTORS

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

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

As at 31 March 2017, 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	Underlying shares shareholding	Percentage of shareholding (%)
Mr. Wong Siu Ki	Beneficial owner	12,000,000	(Note 1)	0.41%
Mr. Hung Cho Sing	Beneficial owner	23,136,000	(Note 1)	0.80%

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.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at 31 March 2017, 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.

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>Percentage of shareholdings</b>
Legendary Idea Limited	Beneficial owner (Note 1)	1,927,272,727	66.64%
Corsello Investments Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Tian Cheng Ventures Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Chang Tin Duk, Victor	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Qin Yuquan	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Lai Yongmei	Interest of spouse (Note 2)	1,927,272,727	66.64%
Tong Shing Ann, Sharon	Interest of spouse (Note 3)	1,927,272,727	66.64%

Note:

1. Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Corsello Investments Limited is wholly owned by Chang Tin Duk, Victor. And, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Chang Tin Duk, Victor and Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO.
2. Ms. Lai Yongmei, the spouse of Mr. Qin Yuquan, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Qin Yuquan is interested for the purpose of the SFO.
3. Ms. Tong Shing Ann, Sharon, the spouse of Mr. Chang Tin Duk, Victor, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Chang Tin Duk, Victor is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2017, the Directors are not aware of any other person (other than the Directors) who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

# REPORT OF THE DIRECTORS

## Share Option Scheme

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

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

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

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

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

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

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

## REPORT OF THE DIRECTORS

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

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2016	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 31 March 2017
Director — Mr. Chan	4 Sep 2014	4 Sept 2014 to 3 Sept 2016	0.396	2,234,234	—	(2,234,234)	—	—
Director — Mr. Wong	12 Jan 2016	12 Jan 2016 to 11 Jan 2018	0.079	12,000,000	—	—	—	12,000,000
Director — Mr. Hung	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	—	23,136,000	—	—	23,136,000
An employee A	12 Jan 2016	12 Jan 2016 to 11 Jan 2018	0.079	20,000,000	—	—	—	20,000,000
An employee A	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	—	3,136,000	—	—	3,136,000
An employee B	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	—	23,136,000	—	—	23,136,000
Consultant	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	—	23,136,000	—	—	23,136,000
				34,234,234	72,544,000	(2,234,234)	—	104,544,000

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 2017:

	Director	Consultant	Employees
Risk free rate (note (a))	0.559	0.559	0.559
Weighted average share price	0.116	0.116	0.116
Annualised dividend yield	nil	nil	nil
Expected volatility (note (b))	57.478	57.478	57.478

Notes:

- (a) The risk free rate is based on the yield of Hong Kong Exchange Fund Note yield.
- (b) The expected volatility is estimated by the historical volatility of the Company's share price over the most recent period/ previous 5 years.

# REPORT OF THE DIRECTORS

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:

	Director	Employees
Risk free rate (note (a))	0.87%	0.87%
Annualised dividend yield	nil	nil
Exercise multiple	nil	nil
Expected volatility (note (b))	94.11%	94.11%

Notes:

- (a) The risk free rate is based on the yield of Hong Kong Exchange Fund Note yield.
- (b) The expected volatility is estimated by the historical volatility of the Company's share price over the most recent period/ previous 5 years.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 30.11% and 59.37% (2016: 14.87% 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 14.42% and 45.39% (2016: 12.88% and 29.5%) 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.

## CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 15 to 22.



# REPORT OF THE DIRECTORS

## 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 Thursday, 17 August 2017 to Tuesday, 22 August 2017, 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 Wednesday, 16 August 2017.

## AUDITOR

The consolidated financial statement for the year ended 31 March 2017 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, 26 June 2017

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

## EXECUTIVE DIRECTORS

Mr. Yim Yin Nang, aged 75. 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 26, 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 28, 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 76, 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 was an executive director of Universe International Financial Holdings Limited (stock code: 1046) from October 2013 to June 2016.

Wong, Park Kan Martin, aged 25, a world well known League of Legends professional gamer has extensive experience and knowledge in e-sports, e-commerce and internet industry. He had served as the AD player in Invictus Gaming (IG) on 2011 and also as Support player on 2016. He was the Champion of the 2011 World Cyber Games Qualifiers (China), Tencent Games Arena Final and the First Runner-up at the League of Legends Season 3 World Championship in 2013. He was invited by Riot Games under Tencent Holdings Limited (SEHK 700) to join the S5 LoL desk analyst in 2015. He is professionally competence in live streaming. He is currently serving as a LoL live webcasting player and commentator at Quanmin TV.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Kin Chor, aged 58, 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 47, 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.

Ms. Lai Mei Kwan (“Ms. Lai”) has been appointed as independent non-executive Director, the chairman of the remuneration committee, a member of each of the audit committee and nomination committee of the Board.

Ms. Lai, age 29, graduated from King’s College London in 2009 with a Bachelor’s Degree of Science in Business Management. She then obtained a Master’s Degree of Arts in 2011 from Regents College — European Business School London with concentration in Management with pathway in International Business. Ms. Lai has worked with several major banks and a securities firm in Hong Kong and she has gained solid experience in private banking and financial services. Ms. Lai is an executive director of CCT Land Holdings Limited (stock code: 0261) since May 2015.

## SENIOR MANAGEMENT

Mr. Zhang Hui Rong (張輝榮), aged 43, 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 47, 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



開元信德會計師事務所有限公司  
ELITE PARTNERS CPA LIMITED  
Certified Public Accountants

## TO THE MEMBERS OF JIA MENG HOLDINGS LIMITED

*(incorporated in Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Jia Meng Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 40 to 104, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

## How the matter was addressed in our audit

### *Valuation of investment properties*

Refer to note 17 to the consolidated financial statements. The Group has investment properties located in Hong Kong which were measured at fair value of approximately HK\$206.5 million as at 31 March 2017.

The fair value of the investment properties was determined by management with reference to the valuations performed by an independent professional valuer (s"Valuer") engaged by the Group.

The valuations of investment properties involved significant judgements and estimates, including but not limited to the determination of valuation techniques, investment approach and the selection of key inputs to apply in the models. The valuation techniques adopted in determining the fair value of the investment properties were investment approach.

We had identified valuation of investment properties as a key audit matter because significance judgement and estimates had to be made for the valuation..

Our procedures in relation to the valuation of investment properties included the following:

- We evaluated the Valuer's competence, capabilities and objectivity;
- We discussed with the Group's management and Valuer about the valuation techniques adopted, and assessed the relevance and reasonableness of the valuation techniques; and
- We evaluated the appropriateness and reasonableness of judgements and key assumptions made, in particular the income capitalisation rate.

### *Impairment assessment of trade and other receivables*

As at 31 March 2017, the Group had trade and other receivables of approximately HK\$75.4 million, net of impairment loss as set out in note 23 to the consolidated financial statements.

We had identified impairment of trade receivables as a key audit matter because significant judgements had to be made for the assessment of the recoverability for each material trade and other receivables. Management has determined that approximately HK\$7.5 million in respect of impairment loss of trade and other receivables be recognised in the Group's consolidated profit or loss.

Our audit procedures to address the impairment of trade receivables included the following:

- We tested the accuracy of the ageing of receivables balances on a sample basis;
- We assessed the management's judgement on provisioning decisions and challenged whether appropriate adjustments for long outstanding trade and other receivables have been made; and
- We assessed the level of cash collected by the Group after the year end date, particularly those in respect of past due receivable balances and the results of confirmation procedures to consider any additional provisions required.

# INDEPENDENT AUDITOR'S REPORT

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

# INDEPENDENT AUDITOR'S REPORT

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number P05898.

**Elite Partners CPA Limited**  
*Certified Public Accountants*

10/F, 8 Observatory Road  
Tsim Sha Tsui, Kowloon,  
Hong Kong

26 June 2017



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>			
Revenue	7	52,830	57,511
Cost of sales		(41,731)	(44,931)
Gross profit		11,099	12,580
Other income	7	8,456	3,407
Selling and distribution expenses		(4,279)	(3,290)
Administrative expenses		(36,577)	(21,445)
Research expenses		(710)	(2,400)
Impairment on trade and other receivables		(7,495)	(8,579)
Other operating expenses		—	(1,666)
Fair value gain on financial assets at fair value through profit or loss		163,626	12,939
Fair value gain on investment properties		13,000	2,789
Share of result of an associate	19	570	—
Finance costs	8	(2,970)	(1,983)
<b>Profit/(Loss) before income tax</b>	9	144,720	(7,648)
Income tax expenses	10	(28,053)	(1,659)
<b>Profit/(Loss) after taxation from continuing operations</b>		116,667	(9,307)
<b>Discontinued operations</b>			
Profit from discontinued operations	13	—	2,960
Profit/(Loss) for the year		116,667	(6,347)
<b>Other comprehensive income/(expenses) that may be reclassified subsequently to profit or loss</b>			
Exchange difference arising on translation of financial statement of foreign operations		(2,412)	(2,512)
<b>Total comprehensive income/(loss) for the year</b>		114,255	(8,859)
<b>Profit/(Loss) for the year attributable to Owners of the Company:</b>			
From continuing operations		116,820	(9,191)
From discontinued operations		—	2,960
		116,820	(6,231)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Profit/(Loss) for the year attributable to non-controlling interests:</b>			
From continuing operations		(153)	(116)
From discontinuing operations		—	—
		(153)	(116)
Profit/(Loss) for the year		116,667	(6,347)
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
— Owners of the Company			
From continuing operations		114,407	(11,303)
From discontinued operations		—	2,960
		114,407	(8,343)
— Non-controlling interests			
From continuing operations		(152)	(516)
From discontinued operations		—	—
		(152)	(516)
<b>Earnings/(Loss) per share</b>	14		
<b>Earnings/(Loss) per share — Basic</b>			
From continuing and discontinued operations		HK\$0.46 cents	HK\$(0.45) cents
From continuing operations		HK\$0.46 cents	HK\$(0.66) cents
From discontinued operations		—	HK\$0.21 cents
<b>Earnings/(Loss) per share — Diluted</b>			
From continuing and discontinued operations		HK\$0.45 cents	HK\$(0.45) cents
From continuing operations		HK\$0.45 cents	HK\$(0.66) cents
From discontinued operations		—	HK\$0.21 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	5,249	5,745
Prepaid premium for land leases	16	7,298	8,012
Investment properties	17	206,500	19,000
Intangible assets	18	2,730	—
Investment in an associate	19	9,825	—
Convertible Bonds receivable	24	2,174	—
Prepayment	20	1,300	—
Deferred tax assets	29	—	692
Total non-current assets		235,076	33,449
<b>Current assets</b>			
Inventories	21	1,882	2,111
Financial assets at fair value through profit or loss	22	165,160	13,679
Trade and other receivables	23	75,444	70,085
Loan receivables	25	20,000	—
Tax receivables		—	345
Cash and cash equivalents	26	20,181	174,467
Total current assets		282,667	260,687
<b>Total assets</b>		<b>517,743</b>	<b>294,136</b>
<b>Current liabilities</b>			
Trade and other payables	27	31,079	10,665
Tax payables		5,962	1,203
Bank and other borrowings	28	42,803	36,048
Total current liabilities		79,844	47,916
<b>Net current assets</b>		<b>202,823</b>	<b>212,771</b>
<b>Total assets less current liabilities</b>		<b>437,899</b>	<b>246,220</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current liabilities</b>			
Deferred income		—	3,157
Deferred tax liabilities	29	22,466	256
<b>Total non-current liabilities</b>		<b>22,466</b>	3,413
<b>Total liabilities</b>		<b>102,310</b>	51,329
<b>NET ASSETS</b>		<b>415,433</b>	242,807
<b>EQUITY</b>			
Share capital	30	72,300	57,840
Reserves		342,781	184,463
Equity attributable to owners of the Company		415,081	242,303
Non-controlling interests		352	504
<b>TOTAL EQUITY</b>		<b>415,433</b>	242,807

Approval and authorised for issue by the board of directors on 26 June 2017

**WONG SIU KI**  
DIRECTOR

**MATTHEW CHUNG**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserves	Share options reserve	Translation reserves	Retained Earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 operation	—	—	—	—	—	—	(2,112)	—	(2,112)	(400)	(2,512)
Total comprehensive expense for the year	—	—	—	—	—	—	(2,112)	(6,231)	(8,343)	(516)	(8,859)
Recognition of share — based payment	—	—	—	—	—	922	—	—	922	—	922
Issue of ordinary shares by placing	2,410	11,580	—	—	—	—	—	—	13,990	—	13,990
Rights issue of shares	43,380	91,124	—	—	—	—	—	—	134,504	—	134,504
At 31 March 2016 and 1 April 2016	57,840	131,546	10,207	8	6,578	1,956	8,295	25,873	242,303	504	242,807
Profit for the year	—	—	—	—	—	—	—	116,820	116,820	(153)	116,667
Other comprehensive income — exchange differences arising on translation of financial statement of foreign operation	—	—	—	—	—	—	(2,413)	—	(2,413)	1	(2,412)
Total comprehensive income for the year	—	—	—	—	—	—	(2,413)	116,820	114,407	(152)	114,255
Issue of ordinary shares as consideration shares	2,892	6,363	—	—	—	—	—	—	9,255	—	9,255
Issue of ordinary share by placing	11,568	34,704	—	—	—	—	—	—	46,272	—	46,272
Recognition of share — based payment	—	—	—	—	—	2,844	—	—	2,844	—	2,844
Lapsed of share options	—	—	—	—	—	(1,034)	—	1,034	—	—	—
At 31 March 2017	72,300	172,613	10,207	8	6,578	3,766	5,882	143,727	415,081	352	415,433

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>		
<b>Profit/(Loss) before income tax</b>		
From continuing operations	144,720	(7,648)
From discontinued operations	—	3,545
Adjustments for:		
Amortisation of prepaid premium for land leases	218	198
Depreciation of property, plant and equipment	992	931
Interest income	(33)	(751)
Interest expenses	2,970	1,983
Allowance for impairment of trade and other receivables	7,495	8,579
Reversal for impairment of trade and other receivables	(583)	—
Loss on disposal of property, plant and equipment	—	2,277
Share-based compensation expenses	2,844	922
Sharing profit from an associate	(570)	—
Fair value gain on remeasurement of financial assets at fair value through profit or loss	(136,151)	(12,939)
Gain on disposal of subsidiaries	—	(1,858)
Fair value gain on convertible bonds	(374)	—
Fair value gain on investment property	(13,000)	(2,789)
<b>Operating profit/(loss) before working capital changes</b>	<b>8,528</b>	<b>(7,550)</b>
Decrease in inventories	235	428
Increase in financial assets at fair value through profit or loss	(15,330)	1,870
Increase in trade and other receivables	(10,700)	(39,129)
Increase in loan receivable	(20,000)	—
Increase/(Decrease) in trade and other payables	19,930	(8,788)
Decrease in deferred income	(3,611)	—
<b>Cash used in operations</b>	<b>(20,948)</b>	<b>(53,169)</b>
Income tax paid	(523)	(15)
<b>Net cash used in operating activities</b>	<b>(21,471)</b>	<b>(53,184)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
<b>Cash flows from investing activities</b>		
Interest received	33	751
Decrease in restricted bank deposits	—	5,250
Payment for film rights	(1,300)	—
Invested in convertible bonds	(1,800)	—
Acquisition of subsidiaries	(160,724)	(23,378)
Cash effect of disposal of subsidiaries	—	31,046
Cash effect of acquisition of investment properties	(16,500)	(19,000)
Purchases of property, plant and equipments	(811)	(1,483)
<b>Net cash used in investing activities</b>	<b>(181,102)</b>	<b>(6,814)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares upon placing	46,272	13,990
Proceeds from rights issue of shares	—	134,504
Interest paid	(2,970)	(1,983)
Drawdown of bank and other borrowings	59,000	35,439
Repayment of bank and other borrowings	(51,636)	(36)
<b>Net cash generated from financing activities</b>	<b>50,666</b>	<b>181,914</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(151,907)</b>	<b>121,916</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>174,467</b>	<b>53,373</b>
<b>Effect of foreign exchange rate, net</b>	<b>(2,379)</b>	<b>(822)</b>
<b>Cash and cash equivalents at the end of year</b>	<b>20,181</b>	<b>174,467</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	20,181	174,467

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 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 Room 602, New World Tower 1, 16–18 Queen’s Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 38 to the consolidated financial statements.

The financial statements for the year ended 31 March 2017 were approved by the board of directors on 26 June 2017.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These 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 except for financial assets at fair value through profit or loss and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### 2.3 Functional and presentation currency

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

## 3. ADOPTION OF NEW AND REVISED HKFRSs

### (a) Application and new and revised HKFRSs

In the current year, the Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2016.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

### (a) Application and new and revised HKFRSs (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation and Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### (b) New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>5</sup>
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

### (b) New and revised HKFRSs issued but not yet effective (Continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2019
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2017
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 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.

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (iii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.2 Subsidiaries (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

### 4.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### 4.4 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Group's consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.5 Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value at the statement of financial position 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 statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income 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.

### 4.6 Property, plant and equipment

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

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

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.

### 4.7 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 People's Republic of China ("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.

### 4.8 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is initially recognised separately from goodwill at 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.

### 4.9 Film rights and films production in progress

Film rights include the unamortised cost of completed theatrical films, rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less subsequent accumulated amortisation and accumulated impairment loss.

Amortisation of film rights is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are three to five years.

Films production in progress represents theatrical films in production and is stated at cost incurred to date, less any identified impairment losses. Costs included all direct costs associated with the production of films. Costs are transferred to film rights upon completion.

An impairment loss is made when there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.10 Research expenditure

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

### 4.11 Leasing

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### 4.12 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*

Loan and receivables including trade receivables and other receivables 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.12 Financial instruments (Continued)

#### (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*

As for other receivables, 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. As for trade receivables, 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.

#### (iii) *Financial liabilities*

The Group's its financial liabilities comprise financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade payables, accruals and other payables, and bank and other borrowings 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.

#### (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.

Interest income or expenses is recognised on an effective interest basis for financial asset or financial liability other than those financial asset classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.12 Financial instruments (Continued)

#### (v) *Equity instruments*

Equity instruments are any contracts that evidence a residual interest in the assets of an entity after deducting all of its liabilities. 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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 4.13 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### 4.14 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.15 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.

### 4.16 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 and associates 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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.16 Income taxes (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.17 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. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period.

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.

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

#### ***Other employee benefits***

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.19 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.

### 4.20 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.

### 4.21 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.22 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.

### 4.23 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.

### 4.24 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.24 Related parties (Continued)

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### 4.25 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 coordinated 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.

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 note 4.6, 4.7 and 4.8. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends or expects 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### (iv) Fair value measurement of investment properties

At 31 March 2017, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted.

## 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 year ended 31 March 2017, 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) Money lending.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 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 2017

	Mattress and soft bed products HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Money lending HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	49,532	—	1,793	1,505	52,830	—	52,830
Reportable segment profit/(loss)	(2,557)	125,511	10,807	1,235	134,996	—	134,996
Unallocated other income						7,809	7,809
Unallocated corporate expenses						(26,138)	(26,138)
Profit for the year					134,996	(18,329)	116,667
Segment assets	22,018	182,799	206,881	25,217	436,915	—	436,915
Interest in associates						9,825	9,825
Unallocated cash and cash equivalents						3,638	3,638
Unallocated corporate assets						67,365	67,365
Total assets					436,915	80,828	517,743
Segment liabilities	27,919	25,950	2,554	252	56,675	—	56,675
Bank and other borrowings		9,000			9,000	33,803	42,803
Unallocated corporate liabilities						2,832	2,832
Total liabilities					65,675	36,635	102,310
Other segment information							
Interest income	7	20	—	—	27	6	33
Interest expenses	—	(957)	—	—	(957)	(2,013)	(2,970)
Share of profits of associates	—	—	—	—	—	570	570
Depreciation of property, plant and equipment	(161)	—	—	—	(161)	(831)	(992)
Amortisation of prepaid premium for land leases	—	—	—	—	—	(218)	(218)
Fair value gain on investment properties	—	—	13,000	—	13,000	—	13,000
Fair value gain on financial assets at fair value through profit or loss	—	163,626	—	—	163,626	—	163,626
Income tax expenses	(134)	(24,599)	(2,658)	(244)	(27,635)	(418)	(28,053)
Research expenses	(710)	—	—	—	(710)	—	(710)
Impairment of trade and other receivables	(7,495)	—	—	—	(7,495)	—	(7,495)
Reversal of provision on trade and other receivables	—	—	—	—	—	3,232	3,232
Additions to non-current assets	(811)	—	—	—	(811)	—	(811)

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 6. SEGMENT REPORTING (Continued)

### (a) Reportable segments (Continued)

For the year ended 31 March 2016

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 6. SEGMENT REPORTING (Continued)

### (b) Geographic information

The following table provides an analysis of the Group's revenue from external customers based on geographical location of the customers.

	Continuing operations		Discontinued operations		Consolidated	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue from external customers</b>						
PRC (place of domicile)	13,994	14,000	—	—	13,994	14,000
Hong Kong	19,280	11,097	—	6,429	19,280	17,526
Other countries	19,556	32,414	—	—	19,556	32,414
	<b>52,830</b>	57,511	—	6,429	<b>52,830</b>	63,940

### (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:

	2017	2016
	HK\$'000	HK\$'000
Mattress and soft bed products segment		
Customer A	9,882	9,299
Customer B	15,941	8,552

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 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:

	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>		
Continuing operations		
Sales of goods	49,532	56,884
Rental income	1,793	627
Loan interest income	1,505	—
	<b>52,830</b>	57,511
Discontinued operations		
Property agency fee	—	5,349
Property management service fee	—	1,080
	—	6,429
	<b>52,830</b>	63,940
<b>Other income</b>		
Interest income	33	751
Government grants	3,375	—
Dividend income	436	—
Gain on disposal of subsidiaries	—	1,858
Exchange gain	697	236
Reversal of impairment on receivables	3,232	—
Fair value gain on convertible bonds	374	—
Sales of scrap materials	—	322
Consultancy fee income	160	—
Sundry income	149	240
	<b>8,456</b>	3,407

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 8. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest of bank borrowings repayable within one year	2,013	1,983
Interest of other borrowings repayable within one year	887	—
Bank overdraft	70	—
	<b>2,970</b>	1,983

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

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

	Continuing operations		Discontinued operations		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Allowance for impairment of trade and other receivables	7,495	8,579	—	—	7,495	8,579
Amortisation of prepaid premium for land leases	218	198	—	—	218	198
Auditor's remuneration	590	550	—	—	590	550
Cost of inventories recognised as expenses	41,731	44,931	—	—	41,731	44,931
Depreciation of property, plant and equipment	992	847	—	84	992	931
Loss on disposal of property, plant and equipment	—	2,277	—	—	—	2,277
Net foreign exchange (gain)/loss	(697)	(236)	—	—	(697)	(236)
Operating lease charges on rented premises	1,598	313	—	111	1,598	424
Staff costs (including directors' remuneration)						
— Wages, salaries and bonus	11,174	10,112	—	2,081	11,174	12,193
— Contribution to defined contribution plans	1,851	1,584	—	56	1,851	1,640
— Share-based compensation expenses	2,844	922	—	—	2,844	922

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current tax — PRC	134	215	—	—	134	215
Current tax — Hong Kong	5,035	1,444	—	585	5,035	2,029
Deferred tax	22,884	—	—	—	22,466	—
Income tax expenses	28,053	1,659	—	585	28,053	2,244

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% (2016: 16.5%) on the estimated assessable profits for the year ended 31 March 2017. Enterprise income tax arising from subsidiary operating in the PRC was calculated at 25% (2016: 25%) of the estimated assessable profits of the subsidiary during the year.

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

	Continuing operations		Discontinued operations		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit/(Loss) before income tax	146,595	(7,648)	—	3,545	146,595	(4,103)
Tax on profit at applicable tax rates	24,188	(1,262)	—	585	24,188	(677)
Effect of expenses not deductible for tax purpose	343	3,619	—	—	343	3,619
Effect of income not taxable for tax purpose	(170)	(1,520)	—	—	(170)	(1,520)
Tax effect of tax loss not recognised	8,067	1,075	—	—	8,067	1,075
Other	(4,375)	(253)	—	—	(4,375)	(253)
Income tax expenses	28,053	1,659	—	585	28,053	2,244

Deferred tax liabilities as at 31 March 2017 have not been recognised for the withholding tax and other taxation that would be payable on the distribution of the unremitted earnings of a subsidiary of approximately HK\$Nil (2016: HK\$9,053,000) as the Group is in a position to control the dividend policy of the subsidiary and it is probable that such differences will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 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 2017</b>					
<i>Executive directors:</i>					
Mr. Hung Cho Sing (note 1)	309	—	—	—	309
Mr. Wong Siu Ki	318	—	—	—	318
Mr. Yim Yin Nang	146	—	—	—	146
Mr. Matthew Chung (note 2)	350	—	—	—	350
Mr. Wong Pak Kan Martin (note 3)	102	—	—	—	102
<i>Independent non-executive directors:</i>					
Mr. Chan Chun Wing (note 4)	103	—	—	—	103
Ms. Lai Mei Kwan (note 5)	63	—	—	—	63
Mr. Tang Kin Chor (note 6)	117	—	—	—	117
Mr. Au-Yeung Hau Cheong (note 10)	5	—	—	—	5
Mr. Chan Wai Cheung, Admiral (note 11)	22	—	—	—	22
Mr. Fung Kam Man (note 12)	71	—	—	—	71
	<b>1,606</b>	—	—	—	<b>1,606</b>

	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Pension contribution HK\$'000	Share-based compensation expenses HK\$'000	Total HK\$'000
Year ended 31 March 2016					
<i>Executive directors:</i>					
Mr. Wong Siu Ki (note 7)	56	—	—	773	829
Mr. Yim Yin Nang	216	—	—	—	216
Mr. Chan Wing Kit (note 8)	125	859	13	—	997
Mr. Ng Wing Cheong, Stephen (note 9)	—	1,209	14	—	1,223
<i>Independent non-executive directors:</i>					
Mr. Au-Yeung Hau Cheong (note 10)	91	—	—	—	91
Mr. Chan Wai Cheung, Admiral (note 11)	150	—	—	—	150
Mr. Fung Kam Man (note 12)	150	—	—	—	150
Mr. Ng Yat Cheung, JP (note 13)	59	—	—	—	59
Mr. Zhu Xiaobing (note 13)	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 2017

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

### Directors' remuneration (Continued)

Notes:

- Note 1: Mr. Hung Cho Sing appointed on 23 May 2016
- Note 2: Mr. Matthew Chung appointed on 11 April 2016.
- Note 3: Mr. Wong Pak Kan Martin appointed on 20 December 2016.
- Note 4: Mr. Chan Chun Wing appointed on 23 May 2016.
- Note 5: Ms. Lai Mei Kwan appointed on 21 September 2016.
- Note 6: Mr. Tang Kin Chor appointed on 11 April 2016.
- Note 7: Mr. Wong Siu Ki appointed on 15 December 2015.
- Note 8: Mr. Chan Wing Kit resigned on 26 January 2016.
- Note 9: Mr. Ng Wing Cheong, Stephen appointed on 22 April 2015, and resigned on 8 January 2016.
- Note 10: Mr. Au-Yeung Hau Cheong appointed on 9 September 2015, and resigned on 11 April 2016.
- Note 11: Mr. Chan Wai Cheung, Admiral resigned on 23 May 2016.
- Note 12: Mr. Fung Kam Man appointed on 1 April 2015 and resigned on 21 September 2016.
- Note 13: Mr. Ng Yat Cheung and Mr. Zhu Xiao Bing resigned on 22 August 2015.

Fees, salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

### Five highest paid individuals

The five highest paid individuals consisted of 2 (2016: 2) directors of the Company for the year ended 31 March 2017 details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2016: 3) highest paid individuals for the year ended 31 March 2017 are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowance and benefits in kind	1,945	1,453
Retirement benefits — defined contribution plans	50	20
Share based payment expenses	1,011	576
	<b>3,006</b>	2,049

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	
	2017	2016
Nil – HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	2	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: 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 (2016: Nil).

## 12. DIVIDENDS

No dividend has been declared by the Company during the year (2016: Nil).

## 13. DISCONTINUED OPERATIONS

On 30 December 2015, the Group completed the disposal of the entire issued share capital of Full Profit Property Services Company Limited (the "Full Profit"), an indirect wholly-owned subsidiary of the Company at a consideration of HK\$6,000,000 satisfied in cash. Upon the completion of the disposal of Full Profit, the Group ceased its operating segment for provision of property management and property agency services and accordingly, classified these operations as discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 13. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operation have been presented separately in the consolidated statement of profit or loss and other comprehensive income.

	2016 HK\$'000
Revenue	6,429
Cost of sales	—
Gross profit	6,429
Administrative expenses	(2,884)
Profit before income tax	3,545
Income tax expenses	(585)
Profit for the period	2,960

## 14. EARNINGS/(LOSS) PER SHARE

Earnings/(Loss)	2017 HK\$'000	2016 HK\$'000
Profit/(Loss) from continuing and discontinued operations	<b>116,820</b>	(6,231)
Less: (Profit)/Loss for the year from continuing operations	<b>(116,820)</b>	9,191
Profit for the year from discontinued operations	—	2,960
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<b>2,555,419</b>	1,385,635
Effect of dilutive potential ordinary share — share options	<b>18,624</b>	—
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<b>2,574,043</b>	1,385,635

The calculation of diluted earnings per share for the year ended 31 March 2016 did not assume the exercise of the outstanding share options as there options were anti-diluted.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 15. 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 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 and 1 April 2016	5,969	6,412	529	1,205	14,115
Additions	—	811	—	—	811
Exchange realignment	(373)	(257)	(28)	(75)	(733)
At 31 March 2017	5,596	6,966	501	1,130	14,193
<b>Accumulated depreciation</b>					
At 1 April 2015	2,486	4,862	457	1,014	8,819
Depreciation	487	333	46	65	931
Written back on disposals	—	(996)	(8)	—	(1,004)
Exchange realignment	(125)	(181)	(20)	(50)	(376)
At 31 March 2016 and 1 April 2016	2,848	4,018	475	1,029	8,370
Depreciation	601	360	6	25	992
Exchange realignment	(192)	(136)	(25)	(65)	(418)
At 31 March 2017	3,257	4,242	456	989	8,944
<b>Net book amount</b>					
At 31 March 2017	2,339	2,724	45	141	5,249
At 31 March 2016	3,121	2,394	54	176	5,745

The bank borrowing is secured by the Group's leasehold land classified as prepaid premium for land leases and building with a net carrying value of HK\$7,298,000 (2016: HK\$8,012,000) and HK\$2,141,000 (2016: HK\$3,119,000) respectively at the end of the year ended 31 March 2017.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 16. PREPAID PREMIUM FOR LAND LEASES

	HK\$'000
At 1 April 2015	8,608
Amortisation	(198)
Exchange realignment	(398)
At 31 March 2016 and 1 April 2016	8,012
Amortisation	(218)
Exchange realignment	(496)
At 31 March 2017	7,298

## 17. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
At fair value		
At 1 April	19,000	—
Acquisition of subsidiaries	158,000	23,611
Addition during the year	16,500	19,000
Disposal of subsidiary	—	(23,611)
Fair value change	13,000	—
At 31 March	206,500	19,000

Note:

- (a) The Group's investment property is held in Hong Kong under medium-term leases.
- (b) As at 31 March 2017, the fair value of the Group's investment properties was approximately HK\$206,500,000. The fair value has been determined based on the valuation carried out by B.I. Appraisals Limited, independent valuers not connected with the Group. The fair value was determined on income approach using investment method. The entire amount of fair value measurement of the Group's property is categorised as level 3 hierarchy defined in HKFRS 13 Fair Value Measurement.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 17. INVESTMENT PROPERTIES (Continued)

### Information about level 3 fair value measurements for 2017

Type of investment properties	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Commercial properties	Investment method	Rental value of HK\$34.46 to HK\$68.04 per square feet/income capitalisation rate of 2.6% to 3.4%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.

## 18. INTANGIBLE ASSETS

	Money lending license HK\$'000	Computer Software HK\$'000	Property agency service contracts HK\$'000	Total HK\$'000
At 1 April 2015	—	333	1,657	1,990
Disposal of a subsidiary	—	(333)	(1,657)	(1,990)
At 31 March 2016 and 1 April 2016	—	—	—	—
Acquisition of a subsidiary (note 35)	2,730	—	—	2,730
At 31 March 2017	2,730	—	—	2,730

The money lending licenses held by the Group is considered by the directors as having indefinite useful life because there is no foreseeable limit to the period over which the licence are expected to generate cash flows. The license is reviewed annually with no legal impediments to renew the license.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 19. INTEREST IN AN ASSOCIATE

	2017 HK\$'000	2016 HK\$'000
Cost of investment in an associate	9,255	—
Share of post-acquisition profit and other comprehensive income	570	—
	<b>9,825</b>	—

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Principal place of incorporation and business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2017	2016	2017	2016	
Sau San Tong Investment Holding Limited ("Sau San Tong")	Hong Kong	25%	—	25%	—	Property investment

During the year ended 31 March 2017, the Group acquired 25% equity interests in Sau San Tong which was satisfied by issuance of 115,680,000 new shares at the market price of HK\$0.08 each as at 14 September 2016, details of which has been set out in note 30(d) to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 19. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of Sau San Tong, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2017 HK\$'000
Non-current assets	48,971
Current assets	1,180
<b>Total assets</b>	<b>50,151</b>
Non-current liabilities	—
Current liabilities	58,385
<b>Total liabilities</b>	<b>58,385</b>
<b>Net liabilities</b>	<b>(8,234)</b>
Fair value adjustment of investment property	(1,971)
	(10,205)
Group's share of net liabilities	(2,551)
Goodwill	12,376
<b>Group's carrying amount</b>	<b>9,825</b>
Revenue	300
Profit/(loss) for the year	2,283
Other comprehensive income	—
Total comprehensive income	2,283
Carrying amount of interest in associates at the beginning of the year	—
Investment cost at acquisition	9,255
Total comprehensive income attributable to the Group	570
<b>Carrying amount of interest in associates at the end of the year</b>	<b>9,825</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 20. PREPAYMENT

Prepayment represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 March 2017, the amounts of prepayments were expected to be released over twelve months from the end of the reporting period was classified as non-current assets.

## 21. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Raw material	1,204	721
Work in progress	101	171
Finished goods	577	1,219
	<b>1,882</b>	2,111

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

	2017 HK\$'000	2016 HK\$'000
Listed equity securities in Hong Kong, at market value	<b>165,160</b>	13,679

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.

## 23. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	<b>10,143</b>	24,248
Other receivables	<b>53,134</b>	44,859
Prepayments	<b>12,167</b>	978
	<b>75,444</b>	70,085



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 23. TRADE AND OTHER RECEIVABLES (Continued)

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

	2017 HK\$'000	2016 HK\$'000
Within 3 months	6,153	4,493
More than 3 months	3,990	19,755
	<b>10,143</b>	24,248

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

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	6,153	4,493
Less than 1 month past due	1,838	146
1 to 3 months past due	116	5,635
4 to 6 months past due	2,036	61
More than 6 months past due	—	13,913
	<b>10,143</b>	24,248

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

	2017 HK\$'000	2016 HK\$'000
At 1 April	11,189	2,896
Impairment loss recognised	7,495	8,579
Reversal of impairment loss	(3,232)	—
Exchange realignment	(797)	(286)
	<b>14,655</b>	11,189

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 23. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors 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.

Other receivables mainly represent the payment advance to suppliers, loan interest receivables from borrowers and deposit received from the lessee.

Prepayment mainly represent the prepayment of the licenses fee in PRC.

## 24. CONVERTIBLE BOND RECEIVABLE

On 18 April 2016, the Group entered into an investment agreement with Deson Construction International Holdings Limited (“Deson”), a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 8268) to subscribe for a 2% coupon convertible bond with principal amount of HK\$1,800,000 issued by Deson (“CB”). The CB entitle the Company to convert into 6,000,000 ordinary shares of Deson at any time between the date of issue of the CB and the maturity date on 17 April 2019 at a conversion price of HK\$0.3 per convertible share. The CB will be redeemed by Deson at par value plus accrued interest on 17 April 2019. If the CB has not been converted or redeemed, Deson will redeem it on the maturity date at par. Deson is principally involved in construction business in Hong Kong, Mainland China and Macau. As the CB contain an embedded derivative, the CB was designated as financial assets at fair value through profit or loss and level 3 of fair value hierarchy.

The movement of the assets component of the convertible bonds for the year is set out below:

	2017 HK\$'000	2016 HK\$'000
Carrying amount at the beginning of the year	—	—
Addition	1,800	—
Fair value change	374	—
Interest charge	36	—
Interest received	(36)	—
Carrying amount at the end of the year	2,174	—

The entire CB was designated as fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 24. CONVERTIBLE BOND RECEIVABLE (Continued)

Information about level 3 fair value measurement of the CB is as follows:

Valuation techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
Crank-Nicolson finite-difference method	• Discount rates that correspond to expected risk level of 9.12%	• The lower the discount rates, the higher the fair value.
	• Volatility rate of 44.88%	• The higher the volatility rate, the higher the fair value.
	• Risk-free rate of 0.92%	• The lower the risk-free rate, the higher the fair value.

## 25. LOAN RECEIVABLES

	Fixed interest rate	2017 HK\$'000	2016 HK\$'000
Unsecured fixed-rate loans receivable	8%	10,000	—
Secured fixed-rate loans receivable (Note a)	9%	10,000	—
		20,000	—

Notes:

(a) As at 31 March 2017, the secured loan receivable was secured by a property held by the borrower.

(b) As at 31 March 2017, the Group's loan receivables were contractual maturity within one year.

## 26. CASH AND CASH EQUIVALENTS

Included in bank and cash balances of the Group is a balance of approximately HK\$3,049,000 as at 31 March 2017 which were denominated in Renminbi ("RMB") (2016: HK\$3,216,000). RMB is not a freely convertible currency. Cash held in securities account maintained in a securities company was carrying interest at floating rates based on daily bank deposit rate.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 27. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
<b>Current liabilities</b>		
Trade payables	1,160	1,565
Accruals and other payables	24,679	6,118
Receipt in advance	5,240	2,621
Deferred income	—	361
	<b>31,079</b>	10,665
<b>Non-current liabilities</b>		
Deferred income	—	3,157

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

	2017 HK\$'000	2016 HK\$'000
Within 3 months	762	23
More than 3 months	398	1,542
	<b>1,160</b>	1,565

The accrual and other payable mainly represent amount due to independent third party, interest-free and repayable on demand.

## 28. BANK AND OTHER BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Secured bank borrowing, repayable within one year	33,803	36,048
Secured other borrowing, repayable within one year	9,000	—
	<b>42,803</b>	36,048

Notes:

- As at 31 March 2017, the Group's interest-bearing bank borrowings were bearing floating interest rate at 5.49% per annum over HIBOR and secured by the Group's leasehold land classified as prepaid premium for land leases and building with a net carrying value of HK\$7,298,000 and HK\$2,141,000 respectively.
- As at 31 March 2017, the Group's other borrowings were bearing fixed interest rate of 8% per annum and covered by corporate guarantee provided by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 29. DEFERRED TAX ASSETS/(LIABILITIES)

	Fair value change on financial assets at fair value through profit or loss HK\$'000	Provision of impairment for trade and other receivables HK\$'000	Revaluation of property HK\$'000	Total HK\$'000
At 1 April 2015	—	723	(266)	457
Exchange realignment	—	(31)	10	(21)
At 31 March 2016 and 1 April 2016	—	692	(256)	436
(Charge)/Credit to profit or loss for the year	(22,466)	(662)	244	(22,884)
Exchange realignment	—	(30)	12	(18)
At 31 March 2017	(22,466)	—	—	(22,466)

## 30. SHARE CAPITAL

	Number of ordinary share '000	Amount HK\$'000
<b>Authorised:</b>		
At 1 April 2015, ordinary shares of HK\$0.025 each	1,200,000	30,000
Increase in authorised share capital (note a)	8,800,000	220,000
At 31 March 2016, 1 April 2016 and 31 March 2017	10,000,000	250,000
<b>Issued and fully paid:</b>		
At 1 April 2015, ordinary shares of HK\$0.025 each	482,000	12,050
Issue of ordinary shares by placing (note b)	96,400	2,410
Rights issue of shares (note c)	1,735,200	43,380
At 31 March 2016 and 1 April 2016, ordinary shares of HK\$0.025 each	2,313,600	57,840
Consideration shares (note d)	115,680	2,892
Issue of ordinary shares by placing (note e)	462,720	11,568
At 31 March 2017	2,892,000	72,300

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 30. SHARE CAPITAL (Continued)

Notes:

- a) 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.
- b) 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. The Company intends to apply such net proceeds for general working capital of the Group.
- c) 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.
- d) On 14 September 2016, pursuant to the acquisition agreement dated on 29 August 2016, the Company issued 115,680,000 new shares at the market price of HK\$0.08 per new share for the acquisition of 25% issued share capital of the Sau San Tong Investment Holdings Limited, which is a subsidiary of Sau San Tong Holdings Limited (stock code: 8200). The acquisition was completed on 14 September 2016.
- e) On 11 November 2016, pursuant to the placing and subscription agreement dated 26 October 2016, 462,720,000 ordinary shares of HK\$0.025 each were allotted and issued at the market price of HK\$0.1 per share. The net proceeds from the Placing are approximately HK\$44.8 million. The Company intends to apply approximately HK\$20.6 million for the repayment of loan and the balance for general working capital purpose.

## 31. RESERVES

### (a) Share premium

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

### (b) Capital reserve

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

### (c) Merger reserve

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

### (d) Statutory reserves

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

### (e) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations into presentation currency. The reserves are dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 32. SHARE OPTION SCHEME

On 7 September 2016, the Company granted to 4 eligible participants a total of 72,544,000 share options to subscribe for ordinary shares of HK\$0.025 each in the share capital of the Company under the share option scheme adopted by the Company on 26 August 2014 (the "Scheme"). The exercisable period of the share options granted are from 8 September 2016 to 9 September 2021 (both days inclusive). The exercise price of options granted on that date was HK\$0.087 per share.

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 Scheme. The exercisable period of the share options granted are from 12 January 2016 to 11 January 2018 (both dates inclusive). The exercise price of options granted on that date was HK\$0.079 per share.

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 Scheme. The exercisable period of the share options granted are from 4 September 2014 to 3 September 2016 (both dates inclusive). The exercise price of options granted on that date was HK\$0.442 per share.

At 31 March 2017, the number of shares in respect of which option had been granted and remained outstanding under the Scheme was 104,544,000 (2016: 34,234,234), representing 4% (2016: 1%) of the shares of the Company in issue at that date.

### 2017

Grantees	Number of share options				Outstanding at 31 March 2017	Weight average exercise price
	Outstanding at 1 April 2016	Granted during the year	Lapsed during the year	Exercised during the year		
Mr. Chan Wing Kit	2,234,234	—	(2,234,234)	—	—	HK\$0.396
Mr. Wong Siu Ki	12,000,000	—	—	—	12,000,000	HK\$0.079
Mr. Hung Cho Sing	—	23,136,000	—	—	23,136,000	HK\$0.087
Employee B	20,000,000	3,136,000	—	—	23,136,000	HK\$0.080
Employee C	—	23,136,000	—	—	23,136,000	HK\$0.087
Consultant	—	23,136,000	—	—	23,136,000	HK\$0.087
	<b>34,234,234</b>	<b>72,544,000</b>	<b>(2,234,234)</b>	<b>—</b>	<b>104,544,000</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 32. SHARE OPTION SCHEME (Continued)

2016

Grantees	Number of share options					Adjusted during the year upon effective of open offer	Outstanding at 31 March 2016	Weight average exercise price
	Outstanding at 1 April 2015	Granted during the year	Lapsed during the year	Exercised during the year				
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		

The weighted average exercise price of share options outstanding at the end of the year is HK\$0.085 and their remaining contractual life was approximately 53 months. All share options outstanding at the end of the year had vested and were exercisable. The fair value of the share options granted during the year ended 31 March 2017, valued as at the grant date, was HK\$2,844,000 (2016: HK\$922,000) which was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017.

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 2017:

	Director	Consultant	Employees
Risk free rate (note (a))	0.559	0.559	0.559
Weighted average share price	0.116	0.116	0.116
Annualised dividend yield	nil	nil	nil
Expected volatility (note (b))	57.478	57.478	57.478

Notes:

- (a) The risk free rate is based on the yield of Hong Kong Exchange Fund Note yield.
- (b) The expected volatility is estimated by the historical volatility of the Company's share price over the most recent period/ previous 5 years.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 32. SHARE OPTION 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:

	Director	Employees
Risk free rate (note (a))	0.87%	0.87%
Annualised dividend yield	nil	nil
Exercise multiple	nil	nil
Expected volatility (note (b))	94.11%	94.11%

Notes:

- (a) The risk free rate is based on the yield of Hong Kong Exchange Fund Note yield.
- (b) The expected volatility is estimated by the historical volatility of the Company's share price over the most recent period/ previous 5 years.

## 33. RELATED PARTY TRANSACTIONS

### 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:

	2017 HK\$'000	2016 HK\$'000
Short-term employee benefits	1,605	3,760
Pension costs — defined contribution plan	—	26
Share based payment expenses	943	773
	<b>2,548</b>	4,559

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 34. 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:

	2017 HK\$'000	2016 HK\$'000
Within one year	1,165	1,713
Within two to five year	—	1,153

### As lessor

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

	2017 HK\$'000	2016 HK\$'000
Within one year	1,410	—
Within two to five year	1,579	—
	2,989	—

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

### (1) Union Bloom Consultants Limited

On 6 May 2016, the Group entered into an agreement to acquire the entire equity interests in Union Bloom Consultants Limited (“Union Bloom”), which was incorporated in Hong Kong and engaged in money lending business, at a consideration of HK\$2,730,000 in cash. The acquisition of Union Bloom was completed on 6 May 2016.

Union Bloom has not carried out any significant business transactions on acquisition date, except for holding a money lending license issued by 5 May 2016. In the opinion of the directors, the acquisition of Union Bloom did not constitute an acquisition of business within the scope of HKFRS 3 Business Combinations in substance. The acquisition of the Union Bloom was then considered as acquisition of assets (i.e. money lending license) through acquisition of subsidiaries.

The recognised amount of identifiable assets acquired and liabilities assumed of Union Bloom Consultants Limited as at the date of acquisition are as follows:

	HK\$'000
Assets acquired and liabilities recognised	2,730
Consideration satisfied by:	
Cash	2,730

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

### (1) Union Bloom Consultants Limited (Continued)

An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:

	HK\$'000
Cash consideration	(2,730)
Cash and bank balances acquired	6
Net cash outflow	(2,724)

### (2) Willing Investments Limited

On 19 May 2016, the Group has entered into an agreement to acquire the entire equity interests in Willing Investments Limited ("Willing"), at the cash consideration of HK\$158,000,000. The principal business of Willing is property investment. The acquisition of Willing was completed on 31 August 2016.

Willing has not carried out any significant business transactions on acquisition date, except for holding an investment property in Hong Kong. In the opinion of the directors, the acquisition did not constitute an acquisition of business within the scope of HKFRS 3 Business Combinations in substance. The acquisition of Willing was then considered as acquisition of assets through acquisition of subsidiaries.

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

	HK\$'000
Assets acquired and liabilities recognised	158,000
Consideration satisfied by:	
Cash	158,000

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

### (2) Willing Investments Limited (Continued)

An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:

	HK\$'000
Cash consideration	(158,000)
Cash and bank balances acquired	—
Net cash outflow	(158,000)

Note: The fair value of investment properties, which are located in Hong Kong, was approximately HK\$158,000,000 as at 19 May 2016.

### (3) China Universal Limited

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

China Universal has not carried out any significant business transactions on acquisition date, except for holding an investment property in Hong Kong. In the opinion of the directors, the acquisition did not constitute an acquisition of business within the scope of HKFRS 3 Business Combinations in substance. The acquisition of China Universal was then considered as acquisition of assets through acquisition of subsidiaries.

The fair value of identifiable assets and liabilities of China Universal 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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

### (3) China Universal Limited (Continued)

An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:

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

## 36. DISPOSAL

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 ("Full Profit"), an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$6,000,000 in cash. The disposal was completed on 30 December 2015.

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 ("China Universal"), an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$25,900,000 in cash. The disposal was completed on 7 March 2016.

	Full Profit HK\$'000	China Universal HK\$'000
<b>Analysis of assets and liabilities over which control was lost:</b>		
Cash consideration	6,000	25,900
Property, plant and equipment	293	43
Investment properties	—	26,400
Intangible assets	1,657	—
Trade and other receivables	2,108	43
Cash and cash equivalents	795	59
Trade and other payables	(14)	(260)
Tax payables	(626)	(456)
Net assets disposed of	4,213	25,829
Gain on disposal	1,787	71
<b>An analysis of net cash inflow in respect of the disposal of a subsidiary is as follow:</b>		
Cash consideration received	6,000	25,900
Cash and cash equivalents disposed of	(795)	(59)
	5,205	25,841

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 37. STATEMENT OF FINANCIAL POSITION

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

	Notes	2017 HK\$'000	2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interest in subsidiaries		52,086	52,086
Total non-current assets		52,086	52,086
<b>Current assets</b>			
Amount due from subsidiaries	a	197,649	182,141
Cash and cash equivalents		180	8
Total current assets		197,829	182,149
<b>Total assets</b>		<b>249,915</b>	234,235
<b>Current liabilities</b>			
Accruals and other payables		886	844
Amount due to subsidiaries	a	533	359
Total current liabilities		1,419	1,203
<b>Net current assets</b>		<b>196,410</b>	180,946
<b>NET ASSETS</b>		<b>248,496</b>	233,032
<b>EQUITY</b>			
Share capital		72,300	57,840
Reserves		176,196	175,192
<b>TOTAL EQUITY</b>		<b>248,496</b>	233,032

Note a) AMOUNTS DUE FROM/TO SUBSIDIARIES

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

Approval and authorised for issue by the board of directors on 26 June 2017

**WONG SIU KI**  
DIRECTOR

**MATTHEW CHUNG**  
DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 37. 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 2015	28,842	52,085	1,034	(7,570)	74,391
Loss for the year	—	—	—	(2,825)	(2,825)
Recognition of share based payment (note 32)	—	—	922	—	922
Share issued by placing (note 30(b))	11,580	—	—	—	11,580
Rights issue of shares (note 30(c))	91,124	—	—	—	91,124
At 31 March 2016 and 1 April 2016	131,546	52,085	1,956	(10,395)	175,192
Profit for the year	—	—	—	(42,907)	(42,907)
Consideration shares (note 30(d))	6,363	—	—	—	6,363
Share issued by placing (note 30(e))	34,704	—	—	—	34,704
Recognition of share based payment (note 32)	—	—	2,844	—	2,844
Lapsed of share options	—	—	(1,034)	1,034	—
At 31 March 2017	172,613	52,085	3,766	(52,268)	176,196



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 38. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2017 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>					
Jia Meng Limited	British Virgin Islands ("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
廣州馨悅家寢具有限公司	PRC	Registered — RMB 5,000,000 paid-up capital — RMB1,000,000	—	100%	Manufacturing of home furniture-mattress, soft bed and healthy concept products in the PRC
Grandeur Industries Limited	Hong Kong	Share capital — HK\$1	—	100%	Investment holding in BVI
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
Jia Meng Healthy Bedding (Overseas) Company Limited	Hong Kong	Share capital — US\$1,000	—	99%	Dormant
Sunhine Wealthy Limited	BVI	Share capital — US\$1	—	100%	Dormant
Colorful Focus 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
Prudent Success Limited	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Excellent Shine Limited	Hong Kong	Share capital — HK\$1	—	100%	Property investments in Hong Kong
Wisdom Empire Limited	BVI	Share capital — US\$1	100%	—	Investment holding in BVI

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 38. 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	
Koala Enterprises Limited	Hong Kong	Share capital — HK\$1	—	100%	Dormant
Natural Yield Investment Limited	BVI	Share capital — US\$1	100%	—	Property investment and securities investment in Hong Kong
Aim Extreme Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Field Horizon Limited*	Hong Kong	Share capital — HK\$1	—	100%	Dormant
Willing Investments Limited	Hong Kong	Share capital — HK\$2	—	100%	Property investment in Hong Kong
Raise Steady Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Raise Precious Limited*	Hong Kong	Share capital — HK\$1	—	100%	Investment holding in Hong Kong
Union Bloom Consultants Limited	Hong Kong	Share capital — HK\$1	—	100%	Money lending in Hong Kong
Chance Across Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
New New Media Group Limited*	Hong Kong	Share capital — HK\$1	—	100%	Dormant
Ultimate Rise Limited*	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Miles Advance Limited*	Hong Kong	Share capital — HK\$1	—	100%	Dormant

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 38. PARTICULARS OF SUBSIDIARIES (Continued)

廣東家夢健康寢具股份有限公司

	2017 HK\$'000	2016 HK\$'000
At 31 March		
Non-current assets	27,125	30,354
Current assets	35,272	57,132
Non-current liabilities	—	(2,721)
Current liabilities	(35,743)	(40,435)
Net assets	26,654	44,330
Carrying amount of NCI	352	504
Year ended 31 March		
Revenue and other income	7,809	37,728
Expenses	(23,061)	(49,287)
Loss for the year	(15,252)	(11,559)
Loss attributable to NCI	(153)	(116)

## 39. 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 equity 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### Categories of financial assets and liabilities

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

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	165,160	13,679
Convertible bonds receivables designated at fair value through profit or loss	2,174	—
Loans and receivables:		
Trade and other receivables	63,277	69,107
Loan receivables	20,000	—
Cash and cash equivalents	20,181	174,467
	<b>270,792</b>	257,253
<b>Financial liabilities</b>		
Financial liabilities at amortised costs:		
Trade and other payables	31,079	7,683
Bank and other borrowings	42,803	36,048
	<b>73,882</b>	43,731

### Foreign currency risk

The functional currencies of the PRC subsidiaries are RMB with most of the transactions settled in RMB. However, foreign currency (mainly the United States dollar "US\$") were received when the Group earned revenue from overseas customers.

The Group does not have any hedging policy to manage the risk arising from foreign currency transactions. In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2017 HK\$'000	2016 HK\$'000
US\$	7,685	7,336

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### Foreign currency risk (Continued)

At 31 March 2017, if RMB had strengthened/weakened by 10% against US\$ with all other variables held constant, post-tax profit/loss after tax for the year would have been HK\$384,000 higher/lower (2016: HK\$367,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated trade receivables.

In the opinion of directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

### Interest rate risk

The Group's exposure to cash flow interest rate risk relates principally to its variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the Group's bank borrowings. The Group's exposure to fair value interest rate risk relates principally to its fixed-rate other borrowings. 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 26 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 borrowing with all other variables held constant at the end of each reporting period:

	2017 HK\$'000	2016 HK\$'000
<b>Increase/(decrease) in loss/profit for the year and retained profits</b>		
Increase/decrease in percentage (" % ")		
+0.5%	169	592
- 0.5%	(169)	(592)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### Price risk

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

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

The sensitivity analysis on price risk includes the Group's financial instruments which fair value or future cash flows will fluctuate because of changes in their corresponding price. If the prices of the respective equity instruments had been 10% higher/lower, the Group's profit after income tax would increase/decrease by approximately HK\$16,516,000 (2016:HK\$1,368,000) while the Group's retained earnings would increase/decrease by the same amount.

### Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan 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 maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to the credit risk.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in note 23 above.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### Liquidity risk

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

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. 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 HK\$'000</b>	<b>Total undiscounted amount HK\$'000</b>	<b>Carrying amount HK\$'000</b>
<hr/>			
At 31 March 2017			
Trade and other payables	31,079	31,079	31,079
Bank and other borrowing	45,378	45,378	42,803
<hr/>			
At 31 March 2016			
Trade and other payables	7,683	7,683	7,683
Bank and other borrowing	36,559	36,559	36,048
<hr/>			

### Financial instruments not measured at fair value

Except for the Group's financial assets at fair value through profit or loss and convertible bonds receivable which are measured at fair value, the fair values of the Group's and Company's financial assets and liabilities as at 31 March 2016 and 2017 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 that the entity can access at the measurement date;
- 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

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 39. FINANCIAL RISK MANAGEMENT (Continued)

### Financial instruments measured at fair value (Continued)

- 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 2016 and 31 March 2017, 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 2017</b>				
Financial assets at fair value through profit or loss	165,160	—	—	165,160
Convertible bonds receivables	—	—	2,174	2,174
<b>Financial assets at 31 March 2016</b>				
Financial assets at fair value through profit or loss	13,679	—	—	13,679

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

Of the total gains or losses for the year included in profit or loss, HK\$153,655,000 relates to financial assets at fair value through profit or loss.

## 40. 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

## 40. CAPITAL MANAGEMENT (Continued)

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

	2017 HK\$'000	2016 HK\$'000
Trade and other payables	31,079	13,822
Bank and other borrowings	42,803	36,048
	<b>73,882</b>	49,870
Less: Cash and cash equivalents	<b>20,181</b>	174,467
Net debt	<b>53,701</b>	n/a
Equity	<b>415,433</b>	242,807
Net debt to equity ratio	<b>12.93%</b>	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.

## 41. MAJOR NON-CASH TRANSACTION

As disclosed in note 30(d) of the consolidated financial statements, during the year ended 31 March 2017, the Company the acquisition of 25% issued share capital of the Sau San Tong in full by way of issuing 115,680,000 new shares at the market price of HK\$0.08.

## 42. EVENTS AFTER THE REPORTING PERIOD

On 23 June 2017, a notice of extraordinary general meeting was announced and a circular was despatched regarding to the major transactions being announced on 29 March 2017.

On 29 March 2017, Ultimate Rise Limited ("Ultimate Rise"), a direct wholly-owned subsidiary of the Company, enter into an agreement with a vendor pursuant to which Ultimate Rise conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued shares and shareholder's loan of a target company at the consideration of HK\$212,000,000 and to be settled by the Company for and on behalf on the Purchaser by way of issuing a redeemable convertible bond in the principal amount of the same to the vendor. The principal business of the target group is the manufacture of custom-made furniture under the brand name of "壹家壹品" ("Yijia Yipin").

# 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>2017</b> HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	<b>52,830</b>	57,511	90,077	132,994	127,871
Cost of sales	<b>(41,731)</b>	(44,931)	(70,278)	(96,747)	(90,928)
Gross profit	<b>11,099</b>	12,580	19,799	36,247	36,943
Other income	<b>8,456</b>	3,407	800	323	538
Selling and distribution expenses	<b>(4,279)</b>	(3,290)	(5,040)	(7,401)	(6,939)
Administrative expenses	<b>(36,577)</b>	(21,445)	(16,774)	(15,670)	(9,191)
Impairment on trade and other receivables	<b>(7,495)</b>	(8,579)	—	—	—
Research expenses	<b>(710)</b>	(2,400)	(4,480)	(4,358)	(3,876)
Other operating expenses	—	(1,666)	(2,891)	—	—
Fair value gain on financial assets at fair value through profit and loss	<b>163,626</b>	12,939	1,193	—	—
Fair value gain on investment property	<b>13,000</b>	2,789	—	—	—
Gain from bargaining purchase	—	—	574	—	—
Sharing profit of associate	<b>570</b>	—	—	—	—
Finance costs	<b>(2,970)</b>	(1,983)	—	(5)	(18)
<b>Profit/(Loss) before income tax</b>	<b>144,720</b>	(7,648)	(6,819)	9,136	17,457
Income tax expenses	<b>(28,053)</b>	(1,659)	(2,538)	(4,495)	(6,840)
<b>Profit/(Loss) after taxation from continuing operations</b>	<b>116,667</b>	(9,307)	(9,357)	4,641	10,617
<b>Profit/(Loss) from discontinued operations</b>	—	2,960	679	—	—
<b>Profit/(Loss) for the year attribution to:</b>					
— Owners of the Company	<b>116,820</b>	(6,231)	(8,694)	4,516	10,469
— Non-controlling interests	<b>(153)</b>	(116)	16	125	148
	<b>116,667</b>	(6,347)	(8,678)	4,641	10,617

## FIVE YEAR FINANCIAL SUMMARY

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
TOTAL ASSETS	<b>517,743</b>	294,136	125,245	117,916	94,687
TOTAL LIABILITIES	<b>(102,310)</b>	(51,329)	(22,995)	(25,888)	(41,901)
NON-CONTROLLING INTERESTS	<b>(352)</b>	(504)	(1,020)	(1,002)	(861)
	<b>415,081</b>	242,303	101,230	91,026	51,925