



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

2017 INTERIM REPORT

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

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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

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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*)
 Mr. Yim Yin Nang
 Mr. Wong Siu Ki
 Mr. Matthew Chung
 Mr. Wong Pak Kan Martin
 (resigned on 11 August 2017)
 Mr. Qin Yuquan (appointed on 1 August 2017)

Independent non-executive directors

Mr. Tang Kin Chor
 Mr. Chan Chun Wing
 Ms. Lai Mei Kwan (resigned on 1 August 2017)
 Mr. Li Siu Yui (appointed on 11 July 2017)

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*)
 Mr. Tang Kin Chor
 Ms. Lai Mei Kwan (resigned on 1 August 2017)
 Mr. Li Siu Yui (appointed on 11 July 2017)

NOMINATION COMMITTEE

Mr. Tang Kin Chor (*Chairman*)
 Mr. Chan Chun Wing
 Ms. Lai Mei Kwan (resigned on 1 August 2017)
 Mr. Li Siu Yui (appointed on 11 July 2017)

REMUNERATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
 (appointed on 11 July 2017)
 Ms. Lai Mei Kwan (*Chairman*)
 (resigned on 1 August 2017)
 Mr. Tang Kin Chor
 Mr. Chan Chun Wing

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISERS

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



To the Board of Directors of Jia Meng Holdings Limited

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 32 which comprise the unaudited condensed consolidated statement of financial position of Jia Meng Holdings Limited as of 30 September 2017 and the related unaudited condensed consolidated statement of comprehensive income for the three months and six months ended 30 September 2017, unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated statement of cash flows for the six months then ended, and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Elite Partners CPA Limited

Certified Public Accountants

Siu Jimmy

Practising Certificate Number P05898

Hong Kong, 9 November 2017

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

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	5	28,575	14,147	39,954	30,145
Cost of sales		(21,193)	(11,016)	(30,164)	(24,642)
Gross profit		7,382	3,131	9,790	5,503
Other income	5	40	4,337	597	4,558
Selling and distribution expenses		(2,602)	(2,405)	(4,875)	(3,226)
Administrative expenses		(9,952)	(19,340)	(14,251)	(24,475)
Research expenses		(510)	(182)	(778)	(364)
Other operating expenses		—	(5,461)	—	(5,461)
Fair value gain/(loss) on financial assets at fair value through profit or loss		8,064	92,721	(121,881)	152,201
Gain on disposal of subsidiary		24,828	—	24,828	—
Share of profit/(loss) from an associate		132	(11)	74	(11)
Finance costs		(18)	(466)	(470)	(1,190)
Profit/(loss) before income tax credit/(expenses)	6	27,364	72,324	(106,966)	127,535
Income tax credit/(expenses)	7	(2,804)	(15,030)	18,722	(24,291)
Profit/(loss) for the period		24,560	57,294	(88,244)	103,244

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive income that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of financial statements of foreign operations	623	(5,838)	1,204	(2,283)
Total comprehensive income/(expenses) for the period	25,183	51,456	(87,040)	100,961
Profit/(loss) for the period attributable to:				
— Owners of the Company	24,562	57,449	(88,242)	103,400
— Non-controlling interests	(2)	(155)	(2)	(156)
	24,560	57,294	(88,244)	103,244
Total comprehensive income/(expenses) for the period attributable to:				
— Owners of the Company	25,185	51,518	(87,038)	101,140
— Non-controlling interests	(2)	(62)	(2)	(179)
	25,183	51,456	(87,040)	100,961
Earnings/(loss) per share for loss attributable to owners of the Company during the period				
— Basic	8	0.85 cents	2.48 cents	(3.05) cents
				4.45 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

		30 September	31 March
		2017	2017
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	10	14,335	5,249
Prepaid premium for land leases		—	7,298
Investment properties		218,500	206,500
Goodwill		155,083	—
Intangible assets		75,981	2,730
Interest in an associate		9,900	9,825
Convertible Bonds receivables		11,174	2,174
Prepayment		1,300	1,300
Total non-current assets		486,273	235,076
Current assets			
Inventories		7,475	1,882
Financial assets at fair value through profit or loss	12	24,304	165,160
Trade and other receivables	11	79,526	75,444
Loan receivables		10,000	20,000
Tax receivables		191	—
Cash and cash equivalents	13	13,926	20,181
Total current assets		135,422	282,667
Total assets		621,695	517,743
Current liabilities			
Trade and other payables	14	24,385	31,079
Bank and other borrowings	15	35,191	42,803
Tax payables		8,796	5,962
Obligation under finance lease in current portion		554	—
Total current liabilities		68,926	79,844

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Net current assets		66,496	202,823
Total assets less current liabilities		552,769	437,899
Non-current liabilities			
Convertible Bonds		211,881	—
Deferred tax liabilities		19,743	22,466
Total non-current liabilities		231,624	22,466
Total liabilities		300,550	102,310
Net assets		321,145	415,433
Equity			
Share capital	16	72,300	72,300
Reserves		248,845	342,781
Equity attributable to owners of the Company		321,145	415,081
Non-controlling interests		—	352
Total equity		321,145	415,433

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Unaudited											
	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Merger reserves	Statutory reserves	Share option reserves	Translation reserves	Retained earnings	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	57,840	131,546	10,207	8	6,578	1,956	8,295	25,873	242,303	504	242,807	
Profit/(loss) for the period	—	—	—	—	—	—	—	103,400	103,400	(156)	103,244	
Other comprehensive income:												
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	(2,260)	—	(2,260)	(23)	(2,283)	
Total comprehensive income for the period	—	—	—	—	—	—	(2,260)	103,400	101,140	(179)	100,961	
Issue of ordinary shares by placing	2,892	6,363	—	—	—	—	—	—	9,255	—	9,255	
Recognition of equity settled share-based payments	—	—	—	—	—	2,843	—	—	2,843	—	2,843	
At 30 September 2016 (unaudited)	60,732	137,909	10,207	8	6,578	4,799	6,035	129,273	355,541	325	355,866	
At 1 April 2017	72,300	172,613	10,207	8	6,578	3,766	5,882	143,727	415,081	352	415,433	
Profit/(loss) for the period	—	—	—	—	—	—	—	(88,242)	(88,242)	(2)	(88,244)	
Other comprehensive income:												
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	1,204	—	1,204	—	1,204	
Total comprehensive income for the period	—	—	—	—	—	—	1,204	(88,242)	(87,038)	(2)	(87,040)	
Acquisition of subsidiary	—	—	420	—	—	—	—	—	420	—	420	
Disposal of subsidiary	—	—	(10,207)	(8)	(6,578)	—	(7,318)	16,793	(7,318)	(350)	(7,668)	
At 30 September 2017 (unaudited)	72,300	172,613	420	—	—	3,766	(232)	72,278	321,145	—	321,145	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	2,048	11
Net cash generated from/(used in) investing activities	4,236	(186,320)
Net cash (used in)/generated from financing activities	(6,944)	34,675
Net decrease in cash and cash equivalents	(660)	(151,634)
Cash and cash equivalents at beginning of period	20,181	174,467
Effect of foreign exchange rates, net	(5,595)	(8)
Cash and cash equivalents at end of period	13,926	22,825

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 July 2012, as an exempted company with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Min Ying Industrial Zone, Shitan, Zheng Cheng, Guangdong, the People's Republic of China (the "PRC").

The Company's shares were listed on GEM of the Stock Exchange on 15 October 2013 (the "Listing"). The Company is an investment holding company. The principal activity of the Group is (i) design, manufacture and sale of mattress and soft bed products in the PRC and export mattress to overseas markets; (ii) securities investment in Hong Kong (iii) property investment in Hong Kong, (iv) money lending in Hong Kong and (v) manufacture of custom-made furniture in the PRC.

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months and six months ended 30 September 2017 ("2017/18 Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

2. BASIS OF PREPARATION (Continued)

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2017.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2017 ("2016/17 Annual Financial Statements") except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 April 2016. The effect of which was not material to the Group's results of operations of financial position.

4. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in four business segments, which are (i) the design, manufacture and sale of mattress and soft bed products; (ii) money lending; (iii) securities investment; (iv) property investment; and (v) manufacture of custom-made furniture which is arising from acquisition of Guangzhou Geyu Home Appliance Limited during the six months ended 30 September 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (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 unaudited condensed consolidated financial statements are as follows:

For the six months period ended 30 September 2017

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	15,504	22,436	—	1,431	583	39,954
Reportable segment (loss)/profit	2,584	(2,311)	(108,144)	995	466	(106,410)
Unallocated other income						—
Gain on disposal of subsidiary						24,828
Unallocated corporate expenses*						(6,662)
Profit for the period						(88,244)
Segment assets	26,249	54,537	62,699	212,383	10,450	366,318
Unallocated cash and cash equivalents						866
Goodwill						155,083
Interest in associates						9,900
Unallocated corporate assets						89,528
Total assets						621,695
Segment liabilities	9,538	3,880	5,462	1,275	344	20,499
Borrowings						35,191
Unallocated corporate liabilities						244,860
Total liabilities						300,550

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Other segment information						
Interest income	—	4	38	—	—	42
Interest expense	(11)	(352)	(107)	—	—	(470)
Depreciation of property, plant and equipment	(137)	(78)	—	(1,290)	—	(1,505)
Amortisation of prepaid premium for land leases	—	(101)	—	—	—	(101)
Fair value loss on financial assets at fair value through profit or loss	—	—	(121,881)	—	—	(121,881)
Income tax (expense)/credit	(1,052)	(1)	19,894	(27)	(92)	18,722
Research expenses	—	(778)	—	—	—	(778)
Additions to non-current assets	(242)	(417)	—	(5,161)	—	(5,820)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months period ended 30 September 2016

	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	28,849	—	642	654	30,145
Reportable segment (loss)/profit	(15,240)	121,871	569	530	107,730
Unallocated other income					—
Unallocated corporate expenses*					(4,486)
Profit for the period					103,244
Segment assets	90,426	157,682	193,500	22,803	464,411
Unallocated cash and cash equivalents					1,481
Unallocated corporate assets					12,753
Total assets					478,645
Segment liabilities	64,820	54,310	651	168	119,949
Borrowings					—
Unallocated corporate liabilities					2,830
Total liabilities					122,779

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Other segment information					
Interest income	4	—	—	654	658
Interest expense	(1,120)	(70)	—	—	(1,190)
Depreciation of property, plant and equipment	(87)	—	—	—	(87)
Amortisation of prepaid premium for land leases	(123)	—	—	—	(123)
Fair value gain on financial assets at fair value through profit or loss	—	152,201	—	—	152,201
Income tax expense	(31)	(24,082)	(73)	(105)	(24,291)
Impairment of trade and other receivables	(5,461)	—	—	—	(5,461)
Reversal of provision on trade and other receivable	3,918	—	—	—	3,918
Research expenses	(382)	—	—	—	(382)

* Unallocated corporate expense for the six months ended 30 September 2016 and 2017 mainly included staff cost and legal and professional fees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (Continued)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers				
PRC	18,916	3,658	21,737	7,206
Other countries	9,659	10,489	18,217	22,939
	28,575	14,147	39,954	30,145

(c) Information about a major customer

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

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	N/A	3,697	N/A	8,862
Customer B	10,321	N/A	11,686	8,990
	10,321	3,697	11,686	17,852

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

5. 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:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue				
Sales of goods	27,472	12,950	37,940	28,849
Rental income	1,043	543	1,431	642
Loan interest income	60	654	583	654
	28,575	14,147	39,954	30,145
Other income				
Interest income	6	2	42	4
Exchange gain	—	327	58	469
Reversal of impairment on trade and other receivables	—	3,918	—	3,918
Sundry income	34	90	497	167
	40	4,337	597	4,558

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

6. PROFIT/(LOSS) BEFORE INCOME TAX CREDIT/(EXPENSES)

Profit/(loss) before income tax credit/(expenses) is arrived at after charging:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories recognised as expense	21,193	11,016	30,164	24,642
Depreciation of property, plant and equipment	1,471	51	1,505	87
Amortisation of prepaid premium for land leases	101	123	101	123
Operating lease charges on rented premises	918	166	918	166
Impairment of trade and other receivables	—	5,461	—	5,461
Recognition of equity settled share-based payments	—	2,843	—	2,843
Staff costs (including directors' remuneration):				
— Wages, salaries and bonus	7,471	3,798	9,163	5,307
— Contribution to defined contribution plans	1,020	538	1,422	945
	8,491	4,336	10,585	6,252

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

7. INCOME TAX (CREDIT)/EXPENSES

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax — PRC	1,052	14	1,053	31
Current tax — Hong Kong	764	1,494	1,260	2,833
Deferred tax current year	988	13,522	(21,035)	21,427
	2,804	15,030	(18,722)	24,291

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

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits.

Enterprise income tax arising from subsidiary operated in the PRC was calculated at 25% of the estimated assessable profits.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company of approximately HK\$24,562,000 and approximately HK\$(88,242,000) (2016: HK\$57,449,000 and HK\$103,400,000) for the three months and six months ended 30 September 2017 and weighted average number of ordinary shares of 2,892,000,000 and 2,892,000,000 (2016: 2,313,600,000 and 2,323,769,000) in issue during the three months and six months ended 30 September 2017.

The computation of diluted loss per share for both years does not assume the conversion of the Company's share options outstanding since their assumed exercise would result in a decrease in loss per share or the exercise price of those share options is higher than the average market price for the ordinary share.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group has incurred capital expenditure of approximately HK\$5,820,000 (six months ended 30 September 2016: Nil) on acquisition of property, plant and equipment. There was no material disposal during both periods.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

11. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade receivables	15,329	10,143
Other receivables	56,663	53,134
Prepayments	7,534	12,167
	79,526	75,444

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 as of the end of reporting period, net of impairment, is as follows:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within 3 months	11,960	6,153
More than 3 months	3,369	3,990
	15,329	10,143

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Listed equity securities in Hong Kong, at market value	24,304	165,160

As at 31 March 2017 and 30 September 2017, the financial assets at fair value through profit or loss, amounted to approximately HK\$165,160,000 and HK\$24,304,000 respectively, were grouped in fair value hierarchy of level 1 as the 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.

13. CASH AND CASH EQUIVALENTS

Cash at banks and cash held in a securities account maintained in a securities company earns interest at floating rates based on daily bank deposit rate. Included in bank and cash balances of the Group is a balance of approximately HK\$9,040,000 as at 30 September 2017 which are denominated in Renminbi ("RMB") (31 March 2017: HK\$3,049,000). RMB is not a freely convertible currency.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

14. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Current liabilities		
Trade payables	8,997	1,160
Other payables and accruals	13,453	24,679
Receipt in advance	1,935	5,240
	24,385	31,079

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within 3 months	7,870	762
More than 3 months	1,127	398
	8,997	1,160

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

15. BANK AND OTHER BORROWINGS

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Secured bank borrowing, repayable within one year (note a)	35,191	33,803
Secured other borrowing, repayable within one year (note b)	—	9,000
	35,191	42,803

Notes:

- (a) As at 30 September 2017, the Group's interest-bearing bank borrowings were bearing floating interest rate at 5.44% (31 March 2017: 5.49%) per annum over SHIBOR and secured by prepaid premium for land leases and building held by independent third party and guarantee by director of the subsidiary (31 March 2017: 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).
- (b) 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

16. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 April 2017 and 30 September 2017, ordinary shares of HK\$0.025 each	10,000,000	250,000
Issued and fully paid:		
At 1 April 2017 and 30 September 2017, ordinary shares of HK\$0.025 each	2,892,000	72,300

17. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 September 2017 (31 March 2017: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

18. 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:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within one year	1,059	1,165
Within two to five years	1,320	—
	2,379	1,165

As lessor

The Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within one year	3,753	1,410
Within two to five years	2,574	1,579
	6,327	2,989

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

19. ACQUISITION OF SUBSIDIARIES

Pioneer One Investments Limited

On 1 August 2017, the Group has entered into an agreement to acquire the entire equity interests in Pioneer One Investments Limited and its subsidiaries (“Pioneer One Group”), companies engaged in manufacture of custom-made furniture, at the consideration of approximately HK\$211,811,000. The acquisition of Pioneer One Group was completed on 1 August 2017.

	HK\$'000
Property, plant and equipment	5,775
Intangible assets	73,251
Inventories	4,136
Trade and other receivables	7,460
Cash and cash equivalents	259
Trade and other payables	(14,984)
Tax payables	(378)
Deferred tax liabilities	(18,313)
Obligation under finance lease in current portion	(408)
	56,798
Goodwill on acquisition	155,083
Consideration satisfied by:	
Convertible Bonds	211,881
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	259

During the six months ended 30 September 2017, Pioneer One Group contributed approximately HK\$15,504,000 to the Group’s revenue and approximately HK\$2,561,000 to the Group’s results in aggregate for the period from the date of acquisition to 30 September 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES**(1) Century Wind Limited**

On 29 September 2017, the Group has entered into an agreement to acquire the entire equity interests in Century Wind Limited, at the cash consideration of HK\$12,000,000. The principal business of Century Wind Limited is property investment.

The acquisition of Century Wind Limited was completed on 29 September 2017. Century Wind Limited 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 Century Wind Limited was then considered as acquisition of assets through acquisition of subsidiaries. The fair value of identifiable assets and liabilities of Century Wind Limited as at the date of acquisition are as follows:

	HK\$'000
Assets acquired and liabilities recognised	12,000
Consideration satisfied by:	
Cash	12,000
An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:	
Cash consideration	(12,000)
Cash and bank balances acquired	189
Net cash outflow	(11,811)

Note: The fair value of investment properties, which are located in Hong Kong, was approximately HK\$12,000,000 as at 29 September 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(2) Union Bloom Consultants Limited

On 6 May 2016, the Group has entered into an agreement to acquire the entire equity interest of Union Bloom Consultants Limited, which is a company incorporated in Hong Kong and the principle engaged in money lending, at a consideration of HK\$2,730,000 by cash.

	HK\$'000
Net assets acquired in this transaction are as follows:	
Cash and cash equivalents	6
Trade and other receivables	161
Accruals and other payables	(167)
Net assets acquired	—
Consideration satisfied by:	
Cash	2,730
An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:	
Cash consideration	(2,730)
Cash and bank balances acquired	6
Net cash outflow	(2,724)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES**(Continued)****(3) Willing Investments Limited**

On 19 May 2016, the Group has entered into an agreement to acquire entire equity interest of Willing Investments Limited, at the consideration of HK\$158,000,000 by cash. The principle business of Willing Investments Limited is investment properties. The acquisition was completed on 31 August 2016 and accounted for as acquisition of assets.

	HK\$'000
Net assets acquired in this transaction are as follows:	
Investment properties (Note)	57,580
Cash and cash equivalents	—
Trade and other receivables	171
Accruals and other payables	(43,124)
Net assets acquired	14,627
Consideration satisfied by:	
Cash	158,000
An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:	
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\$168,000,000 as at 19 May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the period, the turnover of the Group for the six months ended 30 September 2017 was approximately HK\$40.0 million, representing an increase of approximately 32.5% as compared to the same period in the previous year. The mattress and soft bed sales has decreased by approximately 22.2% from approximately HK\$28.8 million in the previous period to approximately HK\$22.4 million for the six months ended 30 September 2017. The decrease was both due to the unfavorable macroeconomic environment as well as the growing competition from the mattresses and soft bed sales industry. Gross profit from mattress and soft bed products' sales has increased slightly from previous 14.6% to 17.3%. This reflected the high pressure on manufacturing costs which has been persisted for the last two years has finally been stabilized during the period under review. The segment loss from mattress and soft bed products' sales was approximately HK\$2.3 million for the six months ended 30 September 2017 (2016: segment loss approximately HK\$15.2 million). The particularly poor performance of the segment in last year was mainly attributable to the written off of trade receivables of approximately HK\$5.5 million for the six months ended 30 September 2016. Since all long outstanding account receivable has been written off from 2017's annual account, there is no more provision of doubtful debt or bad debt written off for the 6 months period ended 30 September 2017, and the net loss for the segment was reduced accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group has acquired subsidiaries that are principally engaged in manufacture of custom-made furniture under the brand name of “壹家壹品” (“Yijia Yipin”) in PRC. This new segment of manufacture of custom-made furniture has generated turnover approximately HK\$15.5 million for two months operation since its acquisition on 1 August 2017. Gross profit was approximately 25.1%, which is higher than the 17.3% for the mattress and soft bed products’ sales. The segment profit is approximately HK\$2.6 million which is an encouraging performance. Since the completion of this acquisition, the Group is now currently operating with 5 main segments, and they are: (i) the design, manufacture and sale of mattress and soft bed products; (ii) manufacture of custom-made furniture (iii) securities investment; (iv) property investment; and (v) money lending. As compare with the same period of last year, the composition of the Group’s revenue has changed significantly with greater reliance on the new custom-made furniture business. The contribution of mattresses and soft bed sales over the total revenue has decreased from 95.7% to approximately 56.2% for the current 6 months period, and the contribution of the new custom-made furniture business is approximately 38.8%. The other revenue making segment of property investment has recorded turnover of rental income of approximately HK\$1,431,000, which is approximately 3.6% of the total revenue. The segment profit is approximately HK\$995,000. As for the money lending segment, the interest income was approximately HK\$583,000, which is approximately 1.5% of the total revenue. The segment profit is approximately HK\$466,000. Securities investment segment has recorded loss of HK\$108.1 million, representing approximately HK\$230.0 million decrease from last year of the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$121.9 million for the six months ended 30 September 2017 which included unrealised fair value gain approximately HK\$5.7 million and realised fair value loss approximately HK\$127.5 million. The unrealised fair value gain mainly arose from the Group's investment on shares listed on the Hong Kong Stock Exchange. On the other hand, the Group has recognised significant fair value loss predominantly due to the investment in shares of Luen Wong Group Holdings Limited ("Luen Wong") which is listed on HKEX (Stock Code: 8217) which was acquired in the first quarter of 2016 at a cost of approximately HK\$2.0 million. 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 represents an unrealised fair value gain of approximately HK\$136.8 million. During the period under review, the Group had disposed all of its remaining interest in Luen Wong and resulted in a loss of approximately HK\$131.6 million for the period. Nevertheless, the overall performance of the investment in Luen Wong across the two financial years was a net gain of approximately HK\$7.5 million since its acquisition in April 2016. In view of the recent volatility of the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio.

Significant Investments

As at 30 September 2017, the Group held approximately HK\$24.3 million equity investments at fair value through profit or loss (2016: approximately HK\$153.3 million). Details of the significant investments are as follows:

	Notes	Stock Code	Place of incorporation	No. of shares held	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 %
Deson Construction International Holdings Limited	1	08268	Cayman Islands	17,400,000	(1,740)	3,654	15.0%	1.1%
Koala Financial Group Limited	2	08226	Cayman Islands	35,200,000	9,609	15,488	63.7%	4.8%
Larry Jewelry International Co Ltd	3	08351	Bermuda	10,000,000	795	4,000	16.5%	1.2%
Individual Investment of net assets the Group					(3,000)	1,161	4.8%	0.4%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- Deson Construction International Holdings Limited was principally engaged as contractor in the building industry operating in Hong Kong. Dividend received during the year amounted to approximately HK\$174,000. According to its latest published financial statements, it had net asset value of approximately HK\$ 102,531,000 as at 31 March 2017.
- Koala Financial Group Limited is an investment holding company. Its subsidiaries are principally engaged in (i) Securities investment; (ii) Manufacture and sales of LED digital display products; (iii) trading of commodities; (iv) trading of garment accessories; (v) Provision of securities placing and brokerage services; (vi) money lending and (vii) leasing of investment properties. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$201,683,000 as at 30 June 2017.
- Larry Jewelry International Co Ltd is an investment holding company. Its principal subsidiaries are engaged in design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong, Macau and the People's Republic of China (the "PRC"). No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$560,501,000 as at 30 June 2017.

During the six months ended 30 September 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\$32.7 million and loss recognised in revenue for the amount of HK\$127.5 million.

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
LEAP Holdings Group Limited	01499	Cayman Islands	3,773	(1,282)
Luen Wong Group Holdings Limited	08217	Cayman Islands	7,064	(131,636)
S&P International Holding Limited	01695	Cayman Islands	6,142	3,018
M&L Holdings Group Limited	08152	Cayman Islands	4,124	2,329
Investment with Individual Realised Gain/ (Loss) Less than HK\$1,000,000			11,627	25

MANAGEMENT DISCUSSION AND ANALYSIS

Continuing with previous diversification effort, the Group further widen its investment diversity to introduce a new segment of manufacture of custom-made furniture business in PRC. The Group's turnover is now mainly contributed from the mattress and soft bed products' segment and the manufacture of custom-made furniture segment. Excluding the highly volatile securities investment segment, which has recorded a net profit of approximately HK\$121.9 million for last year and a net loss of approximately HK\$108.1 million for this year, the results of the Group for the period would actually shows significant improvement from a net loss of approximately of HK\$18.6 million from last year to a net profit of approximately HK\$19.9 million for the year. 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. The gross profit for mattresses and soft bed sales was approximately HK\$3.9 million for the six months ended 30 September 2017, which represents an approximately 7.6% decrease from the corresponding period in 2016. On the other hand, the gross profit for the newly acquired custom-made furniture segment is also approximately HK\$3.9 million for only two months of operation after the completion of its acquisition on 1 August 2017. The other three business segments do not have variable cost that is directly related to their respective turnover, and hence not relevant for gross profit analysis.

The administrative expenses of the Group primarily comprised expenses incurred for the professional fee, staff costs and social insurance cost. For the six months ended 30 September 2017, the Group's administrative expenses decrease significantly to approximately HK\$14.3 million compared to approximately HK\$24.5 million for the corresponding period of last year, representing a decrease of approximately 41.8%. The decrease was mainly due to the relatively high legal and professional fee incurred in 2016 for various corporate exercises. That was resulted from the Group's diversification strategy being aggressively adopted in that year.

Selling and distribution expenses for the six months ended 30 September 2017 was approximately HK\$4.9 million comparing to approximately HK\$3.2 million in 2016, representing an increase of approximately 51.1%. Selling and distribution expenses of the Group mainly comprised of trademark, exhibition expenses, salaries and custom duties. The increase is mainly attributable to the HK\$3.7 million trademark expense incurred during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss of approximately HK\$88.2 million for the six months ended 30 September 2017 (2016: net profit of approximately HK\$103.2 million).

BUSINESS REVIEW AND PROSPECT

For the mattress and soft bed sales business, the demand was weak for both PRC domestic and overseas market. Even though there was some improvement on certain cost categories, and profit margin has also improved slightly from last year, the turnover has shown no signs of recovery from previous downward trend. And the performance for the year ahead is still full of challenges. In order to mitigate these challenges, it is impending for the Group to explore new income source. After much careful studies and consideration, the Group finally acquired a custom-made furniture business in August 2017. The market demand for custom-made furniture in China is growing fast in recent years. There were few similar companies have also been successfully listed in Shanghai and Shenzhen stock exchanges this year. This shows that even capital market has confident on this type of business model and willing to bet their money on it. Unlike the manufacturing of mattress and soft bed products, the organic growth of custom-made furniture business is not depend on the traditional sales and marketing effort. Instead, it relies on the dynamic expansion of the franchising network of individual brand name. While it is still earlier to conclude the performance of this new business segment, we have seen encouraging 2 months' results since its acquisition. Not only it has provided good magnitude of an additional stable revenue source to the Group, it has higher profit margin than the manufacturing of mattress and soft bed business, it only keeps minimum stock for production. And, most of its sales are settled through prepayment by cash, hence there is less hassle for account receivable management and recoverability risk. The Group is expecting to see larger portion of revenue to be contributed by this new segment in future, and it shall eventually improve the Group's overall earning.

The Group had further invested HK\$12 million in investment properties during the period. As of the period ended 30 September 2017, total book cost of HK\$205.5 million were invested in such investment properties. These investments have generated stable rental income for the Group, and it is also a good strategy for the time of economic turmoil to enjoy the upside of potential capital gain due to the fair value of these investment properties are generally on rising trend since their acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding to the securities investment segment, the Group has recognized a loss of HK\$131.6 million for its investment in Luen Wong for the 6 months period ended 30 September 2017. However, it was actually a gain of approximately HK\$7.5 million over the 17 months of investment horizon from the shares were originally acquired in April 2016. Which happened to be crossing over the two different financial years and resulted in exceptionally well performance in last year and exceptionally poor performance for this year. The Group will remain cautious in view of the recent volatility of the stock market, and to maintain its investment portfolio at a HK\$20 million to HK\$30 million level.

Money lending business was with the Group for the second year. Total loan receivable as of the period ended 30 September 2017 was HK\$10 million. Interest rate charged to borrower were 9% per annum. The total interest generated from the business was approximately HK\$583,000. And, net profit of this segment was approximately HK\$466,000. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company raised its fund by way of a placing of 30,000,000 shares of the Company at the placing price of HK\$1.15 per share on 15 October 2013.

Net proceeds from the placing of shares amounted to approximately HK\$13.4 million (after deducting the placing commission and legal and professional expenses), the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. Such net proceeds have been used in the following manner:

	Net proceeds (HK\$ in million)	Approximate amount of net proceeds utilised up to 30 September 2017 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 30 September 2017 (HK\$ in million)
Participate in overseas trade fairs	3.2	3.2	—
Production design, research and development and hire of new designer	2.4	2.4	—
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2.0	1.3	0.7
Construct new production facility	4.6	—	4.6
General working capital	1.2	1.2	—
Total	13.4	8.1	5.3

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2017, the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC.

- (i) On 11 December 2014, a total of 80,000,000 ordinary shares at HK\$0.213 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 28 November 2014. Reference is made to the announcement of the Company dated 28 November 2014 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$16.34 million. The proceeds have been used as the general working capital of the Group.
- (ii) On 9 April 2015, a total of 96,400,000 ordinary shares were placed at HK\$0.154 to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 9 April 2015. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$14.2 million. 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\$51.3 million was used for the acquisition of properties in Hong Kong for retail purpose (among which, HK\$15.8 million was deposit paid but the proposed acquisition has not been completed as of 30 June 2016); 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\$24.2 million was used for general working capital purpose.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

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

As at 30 September 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 shares interested	Number of shares interested	Number of underlying shares interested	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%
Mr. Qin Yuquan	Interest of a Controlled Corporation	1,927,272,727	(Note 2)	66.64%

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.

Note 2: Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

Name of shareholders	Capacity	Number of shares interested	Percentage of shareholdings
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%

Notes:

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.

OTHER INFORMATION

Save as disclosed above, as at 30 September 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.

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.



OTHER INFORMATION

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

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

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

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

OTHER INFORMATION

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

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2017	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 30 September 2017
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
				104,544,000	—	—	—	104,544,000

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the six months ended 30 September 2017 or at any time during such period.

COMPETING INTERESTS

During the period under review, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Groups or had any other conflict or potential conflict of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 26 September 2013 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors, review quarterly report of the compliance department's findings and provide advice and comments to the Directors.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Chun Wing, Mr. Li Siu Yui and Mr. Tang Kin Chor. Mr. Chan Chun Wing is the chairman of the Audit Committee.

The Audit Committee has reviewed the interim financial information of the Group for the three months and six months ended 30 September 2017.

The Audit Committee also reviewed the non-compliance quarterly report of the Group for the six months ended 30 September 2017 and no material non-compliance issue has been identified.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review.

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

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

By order of the Board
Jia Meng Holdings Limited
Hung Cho Sing
Chairman

Hong Kong, 9 November 2017

As at the date of this report, the executive Directors are Mr. Qin Yuquan, Mr. Hung Cho Sing, Mr. Yim Yin Nang, Mr. Wong Siu Ki and Mr. Matthew Chung; and the independent non-executive Directors are Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui.