GRAND PERFECTA, INC.

CONSOLIDATED BALANCE SHEETS

	January 31, 2015 (Unaudted)	July 31, 2014	July 31, 2013
Assets			
Current assets			
Cash	$ 97,872	$ 1,880,494	$ 160,525
Accounts receivable, net	1,057,888	635,450	549,151
Due from related parties	466,883	1,046,647	972,062
Current portion of notes receivable	1,982,341	2,117,491	1,572,711
Deferred tax assets, current portion	652,404	752,183	1,113,927
Prepaid expenses and other current assets	73,316	66,661	78,765
Total current assets	4,330,704	6,498,926	4,447,141
Property and equipment, net	281,313	374,257	554,305
Other assets			
Long-term notes receivables, net of current portion	556,561	632,124	697,548
Deferred tax assets, long-term portion	201,881	232,757	96,809
Goodwill	6,561,188	7,549,434	7,853,432
Other assets	534,151	610,063	510,658
Total other assets	7,853,781	9,024,378	9,158,447
Total assets	$ 12,465,798	$ 15,897,561	$ 14,159,893
Liabilities and Stockholders' Equity (Deficit)			
Current liabilities			
Accounts payable and accrued expenses	$ 1,449,801	$ 2,605,935	$ 3,497,160
Deferred revenues	1,258,006	1,390,210	1,394,982
Current portion of notes payable	6,413,180	8,339,527	1,703,650
Taxes payable	856,374	754,855	418,025
Total current liabilities	9,977,361	13,090,527	7,013,817
Long-term portion of notes payable, net of current portion	213,860	728,846	8,755,150
Total liabilities	10,191,221	13,819,373	15,768,967
Commitments and contingencies			
Stockholders' equity (deficit)			
Preferred stock, $0.001 par value, 100,000,000 shares authorized, 100,000 shares issued and outstanding as of January 31, 2015 (unaudited), July 31, 2014 and 2013	100	100	100
Common stock, $0.001 par value, 500,000,000 shares authorized, 30,500,000, 30,500,000 and 27,500,000 shares issued and outstanding as of January 31, 2015 (unaudited), July 31, 2014 and 2013, respectively	30,500	30,500	27,500
Additional paid-in capital	4,121,034	4,121,034	1,285,120
Other comprehensive income	207,243	457,959	400,267
Accumulated deficit	(2,123,444)	(2,576,536)	(3,369,034)
Total GPI stockholders' equity (deficit)	2,235,433	2,033,057	(1,656,047)
Noncontrolling interest	39,144	45,131	46,973
Total stockholders' equity (deficit)	2,274,577	2,078,188	(1,609,074)
Total liabilities and stockholders' equity	$ 12,465,798	$ 15,897,561	$ 14,159,893

See accompanying notes to consolidated financial statements

GRAND PERFECTA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Six Months Ended		For the Year Ended	
	January 31, 2015	January 31, 2014	July 31, 2014	July 31, 2013
	(Unaudited)	(Unaudited)		
Net sales	$ 9,512,086	$ 11,770,121	$ 22,233,442	$ 20,273,757
Cost of sales	2,018,655	2,090,964	5,049,288	3,974,192
Gross profit	7,493,431	9,679,157	17,184,154	16,299,565
Operating expenses:				
Depreciation expense	$ 56,645	$ 117,851	$ 234,873	$ 466,656
Advertising	453,844	686,390	1,711,855	1,562,355
Commissions	1,310,202	1,686,063	3,319,333	3,048,506
Rent expense	416,658	410,102	845,058	899,698
Salaries and wages	2,760,283	2,603,463	5,234,053	6,324,741
Other general and administrative expenses	1,129,539	1,322,658	2,922,637	2,851,516
Total operating expenses	6,127,171	6,826,527	14,267,809	15,153,472
Income from operations	1,366,260	2,852,630	2,916,345	1,146,093
Other income (expense):				
Other income (loss)	40,080	(20,121)	6,883	36,292
Gain (loss) on exchange	24,590	18,271	32,116	40,824
Interest income	7,022	9,732	17,785	19,524
Interest expense	(618,387)	(638,145)	(1,398,742)	(1,452,592)
Total other income (expense)	(546,695)	(630,263)	(1,341,958)	(1,355,952)
Net income (loss) before provision for income taxes	819,565	2,222,367	1,574,387	(209,859)
Provision for (benefit from) income taxes	366,473	1,125,334	781,889	(15,135)
Net income (loss)	$ 453,092	$ 1,097,033	$ 792,498	$ (194,724)
Net income (loss) per share, basic and diluted	$ 0.01	$ 0.04	$ 0.03	$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	30,500,000	27,500,000	27,869,863	27,275,889

See accompanying notes to consolidated financial statements

GRAND PERFECTA, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Six Months Ended		For the Year Ended	
	January 31, 2015 (Unaudited)	January 31, 2014 (Unaudited)	July 31, 2014	July 31, 2013
Net income (loss)	$ 453,092	$ 1,097,033	$ 792,498	$ (194,724)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(250,716)	38,163	57,692	410,218
Total other comprehensive income, net of tax	(250,716)	38,163	57,692	410,218
Comprehensive income (loss)	202,376	1,135,196	850,190	215,494
Comprehensive income (loss) attributable to noncontrolling interest	(5,987)	(1,842)	(1,842)	(11,973)
Comprehensive income attributable to GPI stockholders	$ 196,389	$ 1,133,354	$ 848,348	$ 203,521

See accompanying notes to consolidated financial statements

GRAND PERFECTA, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Noncontrolling	
	Shares	Amount	Shares	Amount	Capital	Income	Deficit	Interest	Total
Balance, July 31, 2012	100,000	$ 100	27,227,332	$ 27,227	$ 1,252,673	$ (9,951)	$ (3,174,310)	$ 58,946	$ (1,845,315)
Issuance of shares for acquisition of subsidiary	-	-	272,668	273	32,447	-	-	-	32,720
Foreign currency translation adjustment	-	-	-	-	-	410,218	-	(11,973)	398,245
Net loss	-	-	-	-	-	-	(194,724)	-	(194,724)
Balance, July 31, 2013	100,000	100	27,500,000	27,500	1,285,120	400,267	(3,369,034)	46,973	(1,609,074)
Stock issued for cash	-	-	3,000,000	3,000	2,937,000	-	-	-	2,940,000
Capital withdrawal	-	-	-	-	(101,086)	-	-	-	(101,086)
Foreign currency translation adjustment	-	-	-	-	-	57,692	-	(1,842)	55,850
Net income	-	-	-	-	-	-	792,498	-	792,498
Balance, July 31, 2014	100,000	100	30,500,000	30,500	4,121,034	457,959	(2,576,536)	45,131	2,078,188
Foreign currency translation adjustment	-	-	-	-	-	(250,716)	-	(5,987)	(256,703)
Net income	-	-	-	-	-	-	453,092	-	453,092
Balance, January 31, 2015 (unaudited)	100,000	$ 100	30,500,000	$ 30,500	$ 4,121,034	$ 207,243	$ (2,123,444)	$ 39,144	$ 2,274,577

See accompanying notes to consolidated financial statements

GRAND PERFECTA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended		For the Year Ended	
	January 31, 2015	January 31, 2014	July 31, 2014	July 31, 2013
	(Unaudited)	(Unaudited)		
Cash flows from operating activities				
Net income (loss)	$ 453,092	$ 1,097,033	$ 792,498	$ (194,724)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	56,645	117,851	234,873	466,656
Loss (gain) on sale of property and equipment	-	22,759	22,531	(56,745)
Provision for (benefit from) deferred taxes	-	-	180,135	(262,344)
Changes in operating assets and liabilities:				
Accounts receivable	(536,513)	(175,305)	(108,931)	5,156
Prepaid expenses and other current assets	(15,993)	6,383	9,216	33,200
Other assets	(5,002)	(73,545)	(120,560)	672,534
Accounts payable and accrued expenses	(830,364)	(958,321)	(766,507)	(124,095)
Deferred revenue	55,282	196,280	50,443	(51,239)
Taxes payable	213,515	864,807	356,811	(111,603)
Net cash provided by (used in) operating activities	(609,338)	1,097,942	650,509	376,796
Cash flows from investing activities				
Proceeds from sale of property and equipment	-	-	-	177,975
Purchase of property and equipment	(10,800)	(72,537)	(97,478)	(17,240)
Payments for lending to related parties, net	466,860	(195,036)	(188,105)	(260,078)
Proceeds from collection of notes receivables	124,853	205,548	320,107	1,736,103
Payments for notes receivable lending	(287,945)	(342,365)	(926,145)	(1,890,470)
Proceeds from acquisition of subsidiary	-	-	4,657	4,773
Purchase of investment units	-	-	-	113
Sale of investment units	-	-	-	(327,700)
Net cash provided by (used in) investing activities	292,968	(404,390)	(886,964)	(576,524)
Cash flows from financing activities				
Proceeds from sale of stock	-	-	2,940,000	-
Proceeds from notes payable	-	183	2,571	1,708,084
Payments on note payable	(1,311,232)	(483,787)	(992,852)	(1,366,679)
Net cash provided by (used in) financing activities	(1,311,232)	(483,604)	1,949,719	341,405
Effect of exchange rate fluctuations on cash	(155,020)	(10,056)	6,705	(20,807)
Net change in cash	(1,782,622)	199,892	1,719,969	120,870
Cash, beginning of the period	1,880,494	160,525	160,525	39,655
Cash, end of the period	$ 97,872	$ 360,417	$ 1,880,494	$ 160,525
Supplemental disclosure of cash flow information:				
Interest paid	$ 618,317	$ 638,145	$ 1,398,742	$ 1,452,592
Income taxes paid	$ 152,958	$ 260,527	$ 358,812	$ 244,927

See accompanying notes to consolidated financial statements

GRAND PERFECTA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Organization

Grand Perfecta, Inc. ("Grand Perfecta" or "GPI") was incorporated in the State of Nevada on March 25, 2002, as STI Holdings, Inc. ("STI"). On May 12, 2012, the Company completed an Agreement and Plan of Reorganization whereby it acquired 100% of the issued and outstanding shares of LinkBit Consulting Co, Ltd. ("Link Bit" or the "Company"), a Japanese corporation, for 25,000,000 common shares in a transaction accounted for as a recapitalization of Link Bit. Effective March 29, 2013, STI amended its Articles of Incorporation to change its name to Grand Perfecta, Inc. On May 27, 2013, the Company issued 272,668 shares in exchange for 100% of the issued and outstanding shares of Umajin HK ("Umajin"), a Hong Kong corporation that maintains an office in Hong Kong. The operations of Grand Perfecta, Link Bit and Umajin are collectively referred to as the "Company."

Nature of Business

The Company is engaged in the business of transmitting and providing horse racing information via various types of media, including the various websites owned and operated by the wholly owned subsidiaries of Link Bit and Umajin, including http://www.linkbit.co.jp.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with principles generally accepted in the United States of America ("GAAP") and include the accounts of Grand Perfecta and its wholly-owned subsidiaries Link Bit and Umajin. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Amounts could materially change in the future.

Foreign Exchange

The Company's primary operations are conducted in Japan and performed by its wholly owned subsidiaries Link Bit and Umajin. Link Bit's functional currency is the Japanese Yen and Umajin's functional currency is the Hong Kong Dollar.

The financial statements of each entity are prepared using the applicable functional currencies, and have been translated into U.S. dollars ("USD"). Assets and liabilities are translated into USD at the applicable exchange rates at period-end. Stockholders' equity is translated using historical exchange rates. Revenue and expenses are translated at the average exchange rates for the period. Any translation adjustments are included as foreign currency translation adjustments in accumulated other comprehensive income in the Company's stockholders' equity.

The following rates were used to translate the accounts of Link Bit and Umajin into USD at the following balance sheet dates.

	Balance Sheet Dates		
	January 31, 2015	July 31, 2014	July 31, 2013
Japanese Yen to USD	0.0085	0.0098	0.0102
Hong Kong Dollars to USD	0.1290	0.1290	0.1289

The following rates were used to translate the accounts of Link Bit and Umajin into USD for the following operating periods.

	For the Six Months Ended		For the Year Ended	
	January 31, 2015	January 31, 2014	July 31, 2014	July 31, 2013
Japanese Yen to USD	0.0090	0.0100	0.0099	0.0113
Hong Kong Dollars to USD	0.1290	0.1290	0.1290	0.1289

Cash and Cash Equivalents

The Company considers all highly liquid holdings with maturities of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of January 31, 2015 (unaudited), July 31, 2014 and 2013.

Accounts Receivable

Accounts receivable are carried at net realizable value, representing the outstanding balance less an allowance for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering each customer's financial condition and credit history, as well as current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The Company had no allowance for doubtful accounts as of January 31, 2015 (unaudited), July 31, 2014 and 2013.

Property and Equipment

Property and equipment are recorded at historical cost and depreciated on a straight-line basis over their estimated useful lives once the individual assets are placed in service. Estimated useful lives for the assets are as follows.

Buildings and fixtures	8 - 43 years
Autos and trucks	2 - 6 years
Tools and equipment	4 - 10 years
Computer software	5 years

Intangible Assets

The Company's intangible assets include goodwill, which represents the excess of purchase price over tangible and intangible assets acquired, less liabilities assumed arising from business acquisitions. Goodwill is not amortized, but is reviewed for potential impairment on an annual basis at the reporting unit level. As required by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350-20, the Company conducted an analysis of the goodwill on its single reporting unit using the Company. For the fiscal years ending July 31, 2014 and 2013, the assessment for impairment found that there is no impairment of goodwill. The Company has no accumulated impairment losses on goodwill.

Long-Lived Assets

In accordance with ASC 360-10, the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. There was no impairment of assets identified during the year ended July 31, 2014 and 2013, or during the six months ended January 31, 2015 and 2014 (unaudited).

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in the absence of a principal, most advantageous market for the specific asset or liability.

GAAP provides for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 — Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:

  – Quoted prices for similar assets or liabilities in active markets
  – Quoted prices for identical or similar assets or liabilities in markets that are not active
  – Inputs other than quoted prices that are observable for the asset or liability
  – Inputs that are derived principally from or corroborated by observable market data by correlation or other means

- Level 3 — Inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows).

The Company has determined that the book value of its outstanding financial instruments as of January 31, 2015 (unaudited), July 31, 2014 and 2013 approximates the fair value.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk include cash, accounts receivable, notes receivable, and amounts due from related parties. The Company maintains its cash in banks located in Japan and Hong Kong in financial institutions with high credit ratings. Substantially all of the Company's revenues are generated from customers in Japan. The Company conducts periodic reviews of the financial condition

and payment practices of its customers and note receivable holders. The Company has not experienced significant losses relating to these concentrations in the past.

Revenue Recognition

The Company's revenue consists primarily of sales of comprehensive and informative horse racing content through its websites focusing on all aspects of the horse racing industry in Japan. The Company recognizes revenue on arrangements in accordance with ASC 605, Revenue Recognition. Revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured. Revenues are presented net of refunds, credits and known and estimated credit card chargebacks. The Company reports revenue net of any required taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority. Rights to content purchased by customers in advance of the content being provided is recorded as deferred revenue.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs incurred amounted to $1,711,855 and $1,562,355 for the years ended July 31, 2014 and 2013, respectively. Advertising costs incurred amounted to $453,844 (unaudited) and $686,390 (unaudited) for the six months ended January 31, 2015 and 2014, respectively.

Basic and Diluted Earnings Per Share

In accordance with ASC 260, Earnings Per Share, the basic income per common share is computed by dividing the net income available to common stockholders after preferred stock dividends, by the weighted average common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if diluted potential common stock had been converted to common stock. The Company had no common stock equivalents outstanding during the years ended July 31, 2014 or 2013, or during the six months ended January 31, 2015 (unaudited) or January 31, 2014 (unaudited). As a result, the basic and diluted earnings per share were the same for each of the periods presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 creates a new topic in the ASC Topic 606 and establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenue. In addition, ASU 2014-09 adds a new Subtopic to the Codification, ASC 340-40, Other Assets and Deferred Costs: Contracts with Customers, to provide guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. The guidance in ASU 2014-09 is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods therein. Early application is not permitted. Management is in the process of assessing the impact of ASU 2014-09 on the Company's financial statements.

3. PROPERTY AND EQUIPMENT, NET

The Company's property and equipment consisted of the following.

	January 31, 2015 (Unaudited)	July 31, 2014	July 31, 2013
Buildings and fixtures	$ 235,986	$ 272,079	$ 283,184
Autos and trucks	309,057	356,324	351,346
Tools and equipment	513,302	567,354	590,512
Computer software	1,353,293	1,560,267	1,623,952
Horses	24,853	41,347	30,794
	2,436,491	2,797,371	2,879,788
Less: accumulated depreciation	(2,155,178)	(2,423,114)	(2,325,483)
	$ 281,313	$ 374,257	$ 554,305

Depreciation expense amounted to $234,873 and $466,656 for the year ended July 31, 2014 and 2013, respectively. Depreciation expense amounted to $56,645 (unaudited) and $117,851 (unaudited) for the six months ended January 31, 2015 and 2014, respectively.

4. DUE FROM RELATED PARTIES

From time to time, the Company makes short-term revolving advances to related parties, including employees, directors and other related parties. All loans are unsecured and due within one year of the issuance date, and earn interest at rates ranging from 0% to 3% per annum. The total amounts outstanding from related parties amounted to $466,883 (unaudited), $1,046,647 and $972,062 as of January 31, 2015, July 31, 2014 and 2013, respectively. Management considers all of these outstanding advances to be fully collectible and has determined that no allowance is necessary. Subsequent to the year ended July 31, 2014, the Company settled the amounts due from related parties in full (see Note 11).

5. NOTES RECEIVABLE

The Company's outstanding notes receivable consist of unsecured advances, including interest ranging from 0% to 8% per annum, payable in full on dates extending through 2039. As of January 31, 2015, July 31, 2014 and 2013, the Company had total outstanding notes receivable of $2,538,902 (unaudited), $2,749,615 and $2,270,259, respectively. The portion of these outstanding notes receivables that were either due on demand or had scheduled due dates within one year amounted to $1,982,341 (unaudited), $2,117,491 and $1,572,711 as of January 31, 2015, July 31, 2014 and 2013, respectively.

The future scheduled maturities of outstanding notes receivables as of July 31, 2014 based on contractual due dates are as follows.

		Year Ended July 31,
2015	$	2,117,491
2016		-
2017		-
2018		-
2019		13,442
Thereafter		618,682
Total	$	2,749,615

6. GOODWILL

The Company has recorded goodwill relating to the purchase of Media 21, Inc. in 2011, as well as the acquisition of Umajin on May 27, 2013. The following is a summary of the activity relating to goodwill for the years ended July 31, 2013 and 2014, as well as the six months ended January 31, 2015 (unaudited):

Balance as of July 31, 2012	$	9,730,422
Acquisition of Umajin		99,477
Foreign currency translation adjustment		(1,976,467)
Balance as of July 31, 2013		7,853,432
Foreign currency translation adjustment		(303,998)
Balance as of July 31, 2014		7,549,434
Foreign currency translation adjustment		(988,246)
Balance as of January 31, 2015 (unaudited)	$	6,561,188

The Company's acquisition of Umajin on May 27, 2013 generated goodwill of $99,502 resulting from the issuance of 272,668 shares of common stock worth $32,720, as well as the assumption of $66,782 of net liabilities.

7. NOTES PAYABLE

A summary of the Company's outstanding notes payable is as follows:

	January 31, 2015 (unaudited)	July 31, 2014	July 31, 2013
Unsecured notes payable originally issued on September 30, 2009 and November 30, 2010, due in full on November 30, 2015, bearing interest at 3.5% per annum due monthly.	$ 115,039	$ 205,134	$ 442,150
Unsecured note payable issued on December 9, 2011, due on demand, bearing interest at 8% per annum due monthly.	-	-	90,553
Unsecured note payable issued on December 9, 2011, due on demand, bearing interest at 1% per annum due monthly.	850,000	980,000	1,020,000
Unsecured note payable issued on January 30, 2013, due on demand, bearing interest at 1% per annum due monthly.	425,000	490,000	510,000
Unsecured note payable issued on July 23, 2013, due on August 5, 2016, bearing interest at 1.2% per annum due monthly.	213,860	327,712	510,000
Unsecured note payable issued on September 30, 2013, due on September 30, 2014, bearing interest at 15% per annum due monthly.	-	784,000	1,020,000
Unsecured note payable issued on December 20, 2011, due on December 20, 2014, bearing interest at 15% per annum due monthly.	1,615,000	2,058,000	2,142,000
Unsecured note payable issued on June 28, 2013, due on October 31, 2015, bearing interest at 15% per annum due monthly.	170,000	196,000	204,000
Unsecured note payable issued on August 2, 2010, due on July 31, 2015, bearing interest at 12% per annum due monthly.	1,232,500	1,715,000	2,040,000
Unsecured note payable issued on January 20, 2011, due on January 31, 2015, bearing interest at 12% per annum due monthly.	1,700,000	1,960,000	2,040,000
Unsecured note payable issued on July 20, 2011, due on July 20, 2015, bearing interest at 12% per annum due monthly.	255,000	294,000	357,000
Unsecured notes payable, non-interest bearing, due on demand	50,641	58,527	83,097
Total notes payable	6,627,040	9,068,373	10,458,800
Less: current portion of notes payable	6,413,180	8,339,527	1,703,650
Long-term portion of notes payable	**$ 213,860**	**$ 728,846**	$ **8,755,150**

Future scheduled maturities of long-term debt are as follows:

		Year Ended July 31,
2015	$	8,339,527
2016		728,846
Total	$	9,068,373

8. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue up to 100,000,000 shares of preferred stock with a par value of $0.001, with 100,000 shares designated as Series A Preferred Stock. The Series A Preferred Stock receive a 10 to 1 voting preference over common stock. Accordingly, for every share of Series A Preferred Stock held, the holder receives the voting rights equal to 10 shares of common stock. As such, the holders of the Series A Preferred Stock have the equivalent voting capability of 1,000,000 shares of common stock. The Series A Preferred Stock also has a $0.05 per share liquidation preference over common stock, and can be redeemed by the Company at any time, upon thirty days' notice, for $0.05 per share.

The Company had 100,000 shares of Series A Preferred Stock issued and outstanding as of July 31, 2014 and 2013.

Common Stock Transactions

During the year ended July 31, 2014, the Company sold 3,000,000 common shares of stock for cash proceeds of $2,940,000. There were no such transactions during the year ended July 31, 2013.

On May 27, 2013, the Company issued 272,668 common shares to Hideaki Takahashi, the sole shareholder of Umajin, in exchange for 100% of the issued and outstanding shares of Umajin, a Hong Kong corporation. Subsequent to this transaction, Umajin, became a wholly owned subsidiary of Grand Perfecta.

9. INCOME TAXES

The Company records its deferred taxes under the liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consisted of the following as of July 31, 2014 and 2013.

	July 31, 2014	July 31, 2013
Deferred tax assets:		
Commission expenses	$ 285,443	$ 148,861
Allowance for doubtful accounts	37,839	387,322
Deposits	515,907	522,539
Accrued salary	90,528	87,352
Other	109,759	118,759
Deferred tax liabilities:		
Depreciation	(22,413)	(20,543)
Others	(1,850)	(2,046)
Valuation allowance	(30,273)	(31,509)
Net deferred tax assets	$ 984,940	$ 1,210,735

The income tax provision differs from the amount of income tax determined by applying the Japanese income tax rate to pretax income from continuing operations for the years ended July 31, 2014 and 2013 due to the following.

	July 31, 2014	July 31, 2013
Income tax (benefit) based on book income at Japenese statutory rate	$ 651,383	$ (75,823)
Entertainment expense	136,953	140,820
Additional taxes	1,611	25,414
Tax loss carry-forwards utilized only for local tax	(53,424)	(141,077)
Tax rate difference between current tax and deferred tax assets	56,329	13,490
Others	(10,963)	22,041
Total income tax provision (benefit)	$ 781,889	$ (15,135)

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its corporate headquarters in Toyko Japan, as well as the administrative offices of Umajin in Hong Kong under operating leases extending through August 31, 2015. The Company incurred rent expense of $845,058 and $899,698 for the years ended July 31, 2014 and 2013, respectively. The Company incurred rent expense of $416,658 (unaudited) and $410,102 (unaudited) for the six months ended January 31, 2015 and 2014, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows.

Years ending July 31,	
2015	$ 465,724
2016	38,011
Total	$ 503,735

Litigation

In the ordinary course of business, the Company may be or has been involved in legal proceedings from time to time. As of the date of this annual report, there have been no material legal proceedings relating to the Company.

11. SUBSEQUENT EVENTS

In March 2015, the Company settled the entire amount of the outstanding balances due from related parties as of July 31, 2014 of $1,046,647 (see Note 4).

On March 5, 2015, the Company entered into a convertible note agreement for total principal borrowings of $1,680,000. The amounts are due one year after the issuance of the note on March 5, 2015, and bear interest at a rate of 1% per annum. At the option of the debt holder, beginning 40 days after the issuance of the note, the debt holder may convert the outstanding balance of the note into shares of the Company's common stock at a conversion rate equal to one share per $1.10 of outstanding principal and accrued interest.