



EJE (HONG KONG) HOLDINGS LIMITED

壹家壹品 (香港) 控股有限公司*

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

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 8101



2018

FIRST QUARTERLY REPORT 第一季度業績報告



* For identification purpose only

* 僅供識別

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This report, for which the directors (the “Directors”) of EJE (HONG KONG) 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

Eastern Section of Guangzhou Economic and Technological Development District, Huangpu District, Guangdong Province, the PRC

HONG KONG OFFICE

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China Insurance Group Building,
141 Des Voeux Road Central,
61–65 Gilman Street and
73 Connaught Road Central,
Hong Kong

WEBSITE

www.ejeliving.com

BOARD OF DIRECTORS

Executive Directors

Mr. Qin Yuquan (*Chairman*)
Mr. Hung Cho Sing
Mr. Wong Siu Ki
Mr. Matthew Chung

Independent Non-executive Directors

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Li Siu Yui

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
Mr. Li Siu Yui

NOMINATION COMMITTEE

Mr. Tang Kin Chor (*Chairman*)
Mr. Chan Chun Wing
Mr. Li Siu Yui

REMUNERATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Tang Kin Chor
Mr. Chan Chun Wing

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISER

Lin and Associates

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Construction Bank of China
Public Bank (Hong Kong)
Bank of Communications (Hong Kong)
Bank of China (Hong Kong)

STOCK CODE

8101

The Board of Director (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 ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		Three months ended 30 June	
Notes		2018	2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	40,038	11,379
Cost of sales		(28,162)	(8,971)
Gross profit		11,876	2,408
Other income	5	799	557
Selling and distribution expenses		(2,308)	(2,273)
Administrative expenses		(10,499)	(4,299)
Research expenses		(65)	(268)
Other operating expenses		(24)	–
Fair value loss on financial assets at fair value through profit or loss		(4,405)	(129,945)
Share of result of an associate		(57)	(58)
Finance costs	6	(224)	(452)
Loss before income tax	7	(4,907)	(134,330)
Income tax credit	8	2,436	21,526
Loss for the period		(2,471)	(112,804)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		Three months ended 30 June	
Notes	2018	2017	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Other comprehensive (expenses)/income that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation	(1,295)	581	
Total comprehensive expenses for the period	(3,766)	(112,223)	
Loss for the period attributable to:			
— Owners of the Company	(2,471)	(112,804)	
— Non-controlling interests	—	—	
	(2,471)	(112,804)	
Total comprehensive expenses for the period attributable to:			
— Owners of the Company	(3,766)	(112,223)	
— Non-controlling interests	—	—	
	(3,766)	(112,223)	
Loss per share attributable to owners of the Company during the period			
— Basic (HK Cents)	(0.09)	(3.90)	9

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Unaudited											
	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital reserves	Merger reserves	Statutory reserves	Share	Convertible	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
						option reserves	bond reserves					
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 2017	72,300	172,613	10,207	8	6,578	3,766	-	5,882	143,727	415,081	352	415,433
Loss for the period	-	-	-	-	-	-	-	-	(112,804)	(112,804)	-	(112,804)
Other comprehensive income:												
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	581	-	581	-	581
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	581	(112,804)	(112,223)	-	(112,223)
At 30 June 2017 (unaudited)	72,300	172,613	10,207	8	6,578	3,766	-	6,463	30,923	302,858	352	303,210
At 1 April 2018	72,300	172,613	-	-	-	2,844	293,092	1,155	(207,799)	334,205	-	334,205
Loss for the period	-	-	-	-	-	-	-	-	(2,471)	(2,471)	-	(2,471)
Other comprehensive expenses:												
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(1,295)	-	(1,295)	-	(1,295)
Total comprehensive expenses for the period	-	-	-	-	-	-	-	(1,295)	(2,471)	(3,766)	-	(3,766)
At 30 June 2018 (unaudited)	72,300	172,613	-	-	-	2,844	293,092	(140)	(210,270)	330,439	-	330,439

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

1. GENERAL INFORMATION

EJE (Hong Kong) Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 26 July 2012. The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 October 2013.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at Room 2301, Floor 23, China Insurance Group Building, 141 Des Voeux Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Group are (i) manufacture of custom-made furniture in the PRC; (ii) design, manufacture and sale of mattress and soft bed products in the PRC and export mattress to overseas markets; (iii) securities investment in Hong Kong; (iv) property investment in Hong Kong; and (v) money lending in Hong Kong.

The financial statements for the period ended 30 June 2018 were approved by the board of directors on 8 August 2018.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the first quarterly financial information are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2018 (“2017/18 Annual Financial Statements”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

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. For the period ended 30 June 2018, the Group principally operates in five business segments, which are:

- (i) Manufacture of custom made furniture;
- (ii) The design, manufacture and sale of mattress and soft bed products;
- (iii) Property investment;
- (iv) Securities investment; and
- (v) Money lending.

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 period ended 30 June 2018

	Manufacture of custom — made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	35,885	2,191	1,360	-	480	122	40,038
Reportable segment (loss)/profit	5,447	(2,523)	797	(5,877)	386	(66)	(1,836)
Share of associate loss						(57)	(57)
Unallocated corporate expenses*						(578)	(578)
Loss for the period							(2,471)

* Unallocated corporate expense for the period ended 30 June 2017 and 2018 mainly included staff cost and legal and professional fees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the period ended 30 June 2017

	Mattress and soft bed products HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	10,468	523	-	388	-	11,379
Reportable segment (loss)/profit	(1,913)	280	(110,205)	332	-	(111,506)
Unallocated other income					-	-
Unallocated corporate expenses					(1,298)	(1,298)
Loss for the period						(112,804)

(b) Geographic information

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

Revenue from external customers

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
PRC (place of domicile)	36,825	2,821
Other countries	3,213	8,558
	40,038	11,379

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

(b) Geographic information (Continued)

Non-current assets

	30 June 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
PRC (place of domicile)	219,035	251,885
Other countries	285,007	261,317
	504,042	513,202

(c) Information about major customers

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

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Mattress and soft bed products segment		
Customer A	N/A	3,723
Customer B	N/A	1,365
Manufacture of custom-made furniture		
Customer C	5,694	N/A
	5,694	5,088

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

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 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of goods	38,076	10,468
Loan interest income	480	388
Rental income	1,360	523
Other income	122	–
	40,038	11,379
Other income		
Interest income	–	36
Exchange gain	101	58
Sundry income	698	463
	799	557

6. FINANCE COSTS

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank charge for over draft	5	–
Interest of other borrowings repayable within one year	–	95
Interest of bank borrowings repayable within one year	185	320
Others	34	37
	224	452

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

7. LOSS BEFORE INCOME TAX

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	347	34
Staff cost (including directors' remuneration)		
— Wages, salaries and bonus	3,888	1,692
— Contribution to defined contribution plans	345	402

8. INCOME TAX CREDIT

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — PRC	1,768	1
Current tax — Hong Kong	222	496
Deferred tax current year	(4,426)	(22,023)
	(2,436)	(21,526)

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% (2017: 16.5%) on the estimated assessable profits for the year ended 30 June 2018. Enterprise income tax arising from subsidiary operating in the PRC was calculated at 25% (2017: 25%) of the estimated assessable profits of the subsidiary during the year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

9. LOSS PER SHARE

	Three months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Loss for the purpose of basic and diluted earning per share	(2,471)	(112,804)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,892,000	2,892,000

No diluted earnings per share has been presented for the period ended 30 June 2018 and 2017 because the share options outstanding had an anti-dilutive effect on the loss per share presented.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2018 (2017: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2018 (2017: Nil).

Financial Review

During the period, the turnover of the Group for the three months ended 30 June 2018 was approximately HK\$40.0 million, representing an increase of approximately 251.9% as compared to the same period in the previous year. On the other hand, the net loss of the Group during the period was approximately HK\$2.5 million, which has significantly improved from last year's net loss of HK\$112.8 million. Such improvement was mainly attributable to the inclusion of the new custom-made furniture segment since August 2017 and an unusual poor performance of the securities investment segment in last year due to an exceptional loss of approximately HK\$131.6 million being recorded in last year .

The turnover of mattress and soft bed sales business, for the period ended 30 June 2018 has dropped significantly of approximately 79.1% from HK\$10.5 million in 2017 to approximately HK\$2.2 million for the current period. This was because the Group has continued to reduce the scale of mattress and soft bed product sales' operation and selling off related assets during the period. The net loss for the segment has also increased by approximately 31.9% from last year approximately HK\$1.9 million to this year approximately HK\$2.5 million. Such poor performance of the mattress and soft bed products segment was mainly due to the tremendous dropped in turnover while the cost reduction rate for other fixed costs items took place in relatively slower pace. For the custom-made furniture business, the turnover for the period ended 30 June 2018 was approximately HK\$35.9 million, which is about 3 times of the turnover of mattress and soft bed sales business in last year. Gross profit of this segment was approximately HK\$9.8 million and gross profit margin ratio was approximately 27.2%. This was a significant improvement when compared with last year mattress and soft bed sales business, which has gross profit of only approximately HK\$1.5 million and gross profit margin ratio of approximately 14.3%. The custom-made furniture business segment has net profit of approximately HK\$5.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The administrative expenses of the Group primarily comprised of expenses incurred for the professional fee, amortization of intangible assets, staff costs and social insurance cost. For the three months ended 30 June 2018, the Group's administrative expenses increased to approximately HK\$10.5 million compared to approximately HK\$4.3 million for the corresponding period of last year, representing an increase of approximately 129.1%. The increase was mainly attributable to the amortization of intangible assets amounting to approximately HK\$4.5 million. Such intangible assets were being acquired together when the custom-made furniture business was acquired. On the other hand, since the operation scale has increased, other administrative expenses has also increased considerably.

Selling and distribution expenses for the three months ended 30 June 2018 was approximately HK\$2.3 million (2017: HK\$2.3 million). Selling and distribution expenses of the Group comprised mainly of amortization expense of the prepaid trademark (amounting to approximately HK\$1.8 million), exhibition expenses, salaries and custom duties for the mattress and soft bed product sales business. This year, selling and distribution expenses was keeping at similar level with last year.

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$4.4 million during the period (2017: approximately HK\$130.0 million) which included realised gain of approximately HK\$528,000 and unrealized fair value loss on the financial assets at fair value through profit or loss of approximately HK\$4.9 million. The securities investment segment has recorded net loss of approximately HK\$5.9 million for the period under review, which improved significantly from last year segment loss of approximately HK\$110.2 million. However, such improvement was merely due to an exceptional loss of approximately HK\$131.6 million being recorded in last year. The Group invested in shares of Luen Wong Group Holdings Limited (Stock Code: 8217) 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 unrealized fair value gain of approximately HK\$136.8 million for the year ended 31 March 2017. In the corresponding period of last year (period ended 30 June 2017), the Group had disposed all of the remaining interest in Luen Wong Group Holdings Limited and resulted in this exceptional loss of approximately HK\$131.6 million for that period. Let alone of this exceptional loss recorded in last year which created such a contrasting segment performance between 2017 and 2018, there were still approximately HK\$4.4 million fair value loss on the financial assets recorded for the current period, such loss was in line with the general performance of securities market in Hong Kong during the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group held approximately HK\$25.3 million equity investments at fair value through profit or loss. 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 %
KOALA Financial Group Limited	1	8226	Cayman Islands	60,200,000	(4,575)	3,913	15.5%	1.2%
Shun Wo Group Holdings Limited	2	1591	Cayman Islands	50,000,000	(74)	7,100	28.1%	2.1%
Pantronics Holdings Limited	3	1611	British Virgin Islands	2,390,000	1,403	6,023	23.8%	1.8%
Individual investment less than 1% of net assets the Group					(1,687)	8,261	32.7%	2.5%

Notes:

1. 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\$201,190,000 as at 30 December 2017.
2. Shun Wo Group Holdings Limited is an investment holding company. The group is principally engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$162,371,000 as at 31 March 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

3. Pantronics Holdings Limited is an investment holding company and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products. According to its latest published financial statements, it had net asset value of approximately HK\$114,396,000 as at 31 March 2018.

As at 30 June 2018, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$6.2 million and gain recognised in revenue for the amount of HK\$528,000.

Details of the transactions are as follows:

	Sales proceeds	Realised gain/(loss)
	HK\$'000	HK\$'000
Investment with individual realised gain/(loss) less than HK\$1,000,000	6,196	528

Business Review and Prospect

During the three months period under review, the Group's mattress and soft bed products business continued to reduce its scale of operation due to adverse circumstances for this particular segment in the market. On the other hand, the new custom-made furniture business had done a good job since its acquisition from August 2017 both in terms of its turnover and net profit. As a results, the Group continued to shift its business focus away from the mattress and soft bed products sales. In May 2018, all of the fixed assets from the mattress and soft bed products segment were being completely disposed. As a result, the turnover of this segment decreased by around 79.4 %, while net results also decreased around 31.9%.

Securities investment segment has recorded a net loss of approximately HK\$5.9 million for the current period. The poor performance of the segment was mainly due to the poor performance of the overall securities market in Hong Kong. Nevertheless, such loss was also attributable to the unrealised fair value loss on certain financial assets which the management was not able to identify appropriate timing to dispose and realise profit during the period. If the general securities market's situation improve, the Group might eventually make profit out of these financial assets in future. In view of the recent volatility in the stock market, the Group would remain its current scale of investment portfolio at approximately HK\$20 million level and will also adopt cautious measures to manage the Group's investment in securities market.



MANAGEMENT'S DISCUSSION AND ANALYSIS

There were four investment properties held by the Group as of 30 June 2018 with the total book cost of approximately HK\$205.5 million. Whereas, there were only three investment properties held by the Group in 2017 with the total book cost of approximately HK\$193.5million. The three months revenue of the segment increased by approximately HK\$835,900 from last year approximately HK\$523,800 to this year approximately HK\$1.36 million. This was due to rental income contributed by the newly acquired investment property during the year as well as some originally vacant properties was subsequently being occupied. The net profit of the segment has also increased from approximately HK\$280,000 from last year to approximately HK\$797,000 this year.

Regarding to money lending business, there was approximately HK\$10 million outstanding loan receivable as of 30 June 2018. The Group has maintained this HK\$10 million loan size for the 3 months period under review. The interest charge was approximately 9% per annum. The total interest income generated from the business was approximately HK\$480,000 (2017: approximately HK\$388,000). And, net profit of this segment was approximately HK\$386,000 (2017: approximately HK\$332,000). 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 June 2018 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 30 June 2018 (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	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

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

As at 30 June 2018, 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 each were placed to not less than six places, 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

- (ii) On 9 April 2015, a total of 96,400,000 ordinary shares were placed at HK\$0.154 each to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 9 April 2015. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$14.2 million. The proceeds have been used as the general working capital of the Group.

- (iii) On 14 October 2015, the Company completed a rights issue on the basis of three rights shares for every one existing share held on 17 September 2015 at HK\$0.08 per rights share (the "Rights Issue") and issued 1,735,200,000 rights shares. The details of the results of the Rights Issue were set out in the announcement of the Company dated 14 October 2015. The net proceeds from the rights issue, after deducting professional fees and all related expenses, were approximately HK\$134.5 million and approximately HK\$114.5 million was used for the acquisition of properties in Hong Kong for retail purpose; and approximately HK\$20 million was used for the further development of the existing and future business of the Group.

- (iv) On 11 November 2016, a total of 462,720,000 ordinary shares at HK\$0.1 each 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 June 2018, 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 or listed issuers.

Long positions in Shares

Name of Directors	Nature of interested	Number of shares	Number of underlying shares	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%

Note:

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

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other person (other than the Directors) who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

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

OTHER INFORMATION

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.

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2018	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 30 June 2018
Director — Mr. Hung	8 September 2016	8 September 2016 to 7 September 2021	0.087	23,136,000	-	-	-	23,136,000
An employee A	8 September 2016	8 September 2016 to 7 September 2021	0.087	3,136,000	-	-	-	3,136,000
An employee B	8 September 2016	8 September 2016 to 7 September 2021	0.087	23,136,000	-	-	-	23,136,000
Consultant	8 September 2016	8 September 2016 to 7 September 2021	0.087	23,136,000	-	-	-	23,136,000
				72,544,000	-	-	-	72,544,000

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 three months ended 30 June 2018 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.

OTHER INFORMATION

AUDIT COMMITTEE

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

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

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors, review quarterly report of the compliance department's findings, meet with external auditor regularly and provide advices and comments to the Directors.

The Audit Committee has reviewed the Group's consolidated financial statements for the period ended 30 June 2018.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 30 June 2018 and no material non-compliance issue has been identified.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") 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.



OTHER INFORMATION

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

EJE (Hong Kong) Holdings Limited

WONG SIU KI

Executive Director

Hong Kong, 8 August 2018

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



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