



**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)
Stock Code: 8101

2017 THIRD QUARTERLY REPORT

* For identification purpose only

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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.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the website of the Company at www.ejeliving.com.

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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

Room 01, 23rd Floor., 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, appointed on 20 November 2017)
(Director, appointed on 1 August 2017)
Mr. Hung Cho Sing
(Chairman, resigned on 20 November 2017)
Mr. Wong Siu Ki
Mr. Matthew Chung
Mr. Wong Pak Kan Martin (resigned on 11 August 2017)
Mr. Yim Yin Nang (resigned on 20 November 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)
Mr. Tang Kin Chor
Mr. Chan Chun Wing
Ms. Lai Mei Kwan (resigned on 1 August 2017)

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)
Bank of China (Hong Kong)

STOCK CODE

8101

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2017, together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2017

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$ '000 (unaudited)	2016 HK\$ '000 (unaudited)	2017 HK\$ '000 (unaudited)	2016 HK\$ '000 (unaudited)
Continuing operations					
Revenue	5	51,519	10,650	91,473	40,795
Cost of sales		(37,858)	(8,023)	(68,022)	(32,665)
Gross profit		13,661	2,627	23,451	8,130
Other income	5	133	860	730	5,418
Selling and distribution expenses		(2,307)	(138)	(7,182)	(3,364)
Administrative expenses		(7,351)	(4,195)	(21,602)	(28,670)
Research expenses		(95)	—	(873)	(364)
Other operating expenses		—	92	—	(5,369)
Fair value gain/(loss) on financial assets at fair value through profit or loss		(577)	69,474	(122,458)	221,675
Gain on disposal of subsidiary		—	—	24,828	—
Share of profit/(loss) from an associate		97	(56)	171	(67)
Finance costs		(414)	(1,136)	(884)	(2,326)
Profit/(loss) before income tax credit/ (expenses)		3,147	67,528	(103,819)	195,063
Income tax credit/(expenses)	6	(1,591)	(11,050)	17,131	(35,341)
Profit/(loss) for the period		1,556	56,478	(86,688)	159,722

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2017

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$ '000 (unaudited)	2016 HK\$ '000 (unaudited)	2017 HK\$ '000 (unaudited)	2016 HK\$ '000 (unaudited)
Other comprehensive income that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of financial statements of foreign operation	463	(1,365)	1,667	(3,624)
Total comprehensive income/ (expenses) for the period	2,019	55,113	(85,021)	156,098
Profit/(loss) for the period attributable to:				
— Owners of the Company	1,556	56,463	(86,686)	159,864
— Non-controlling interests	—	15	(2)	(142)
	1,556	56,478	(86,688)	159,722
Total comprehensive income/ (expenses) for the period attributable to:				
— Owners of the Company	2,019	55,122	(85,019)	156,286
— Non-controlling interests	—	(9)	(2)	(188)
	2,019	55,113	(85,021)	156,098
Earnings/(loss) per share for loss attributable to owners of the Company during the period				
— Basic	HK\$0.05 cents	HK\$2.13 cents	HK\$(3.0) cents	HK\$6.57 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 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	—	—	—	—	—	—	—	159,864	159,864	(142)	159,722	
Other comprehensive income:												
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	(3,624)	—	(3,624)	(46)	(3,670)	
Total comprehensive income for the period	—	—	—	—	—	—	(3,624)	159,864	156,240	(188)	156,052	
Issue of ordinary shares by placing	14,460	41,922	—	—	—	—	—	—	56,382	—	56,382	
Recognition of equity settled share-based payments	—	—	—	—	—	2,843	—	—	2,843	—	2,843	
At 31 December 2016 (unaudited)	72,300	173,468	10,207	8	6,578	4,799	4,671	185,737	457,768	316	458,084	
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	—	—	—	—	—	—	—	(86,686)	(86,686)	(2)	(86,688)	
Other comprehensive income:												
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	—	1,667	—	1,667	—	1,667	
Total comprehensive income for the period	—	—	—	—	—	—	1,667	(86,686)	(85,019)	(2)	(85,021)	
Acquisition of subsidiary	—	—	420	—	—	—	—	—	420	—	420	
Disposal of subsidiary	—	—	(10,207)	(8)	(6,578)	—	(7,318)	16,793	(7,318)	(350)	(7,668)	
At 31 December 2017 (unaudited)	72,300	172,613	420	—	—	3,766	231	73,834	323,164	—	323,164	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

1. GENERAL INFORMATION

EJE (Hong Kong) Holdings Limited. (the “Company”) (formerly known as Jia Meng Holdings Limited has completed the change of business registration on 30 January 2018) 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 Eastern Section of Guangzhou Economic and Technological Development District, Huangpu District, Guangdong Province, the PRC.

The Company is an investment holding company. The principal activity of the Group are (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.

Change of Company Name

The Company will better reflect the Company’s strategic business plan and its direction of future development after the completion of the acquisition of Pioneer One Investments Limited. The English name of the Company has been changed from “Jia Meng Holdings Limited” to “EJE (Hong Kong) Holdings Limited” and to adopt “壹家壹品(香港)控股有限公司” to replace “家夢控股有限公司” as the Chinese name of the Company for identification purpose with effect from 3 January 2018. The registration of the new name of the Company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) took effect from 25 January 2018. The Board believe that the new English and Chinese name of Company can provide the Company with a more appropriate corporate image and identity which will benefit the Company’s future business development and is in the interests of the Company and the Shareholders as a whole.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements 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. For the year ended 31 March 2017, the Group principally operated in four business segments, which are: (i) the design, manufacture and sale of mattress and soft bed products; (ii) money lending; (iii) securities investment and (iv) property investment. The new business segment (v) manufacture of custom-made furniture is arised from acquisition of Guangzhou Geyu Home Appliance Limited during the nine months ended 31 December 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 period ended 31 December 2017

	Three months ended 31 December					Total HK\$ '000 (unaudited)
	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)	
Revenue from external customers	35,105	15,286	970	—	158	51,519
Reportable segment profit/(loss)	6,424	(1,452)	(492)	(3,609)	129	1,000
Unallocated other income						—
Unallocated corporate expenses*						556
Profit for the period						1,556

	Nine months ended 31 December					Total HK\$ '000 (unaudited)
	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)	
Revenue from external customers	50,609	37,722	2,401	—	741	91,473
Reportable segment (loss)/profit	9,008	(3,763)	503	(111,753)	595	(105,410)
Unallocated other income						—
Gain on disposal of subsidiary						24,828
Unallocated corporate expenses*						(6,106)
Loss for the period						(86,688)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the period ended 31 December 2016

	Mattress and soft bed products HK\$ '000 (unaudited)	Three months ended 31 December			Total HK\$ '000 (unaudited)
		Property investment HK\$ '000 (unaudited)	Securities investment HK\$ '000 (unaudited)	Money lending HK\$ '000 (unaudited)	
Revenue from external customers	9,385	840	—	425	10,650
Reportable segment profit	1,615	479	55,772	352	58,218
Unallocated other income Unallocated corporate expenses*					— (1,740)
Profit for the period					56,478

	Mattress and soft bed products HK\$ '000 (unaudited)	Nine months ended 31 December			Total HK\$ '000 (unaudited)
		Property investment HK\$ '000 (unaudited)	Securities investment HK\$ '000 (unaudited)	Money lending HK\$ '000 (unaudited)	
Revenue from external customers	38,234	1,482	—	1,079	40,795
Reportable segment (loss)/ profit	(13,625)	1,048	177,643	882	165,948
Unallocated other income Unallocated corporate expenses*					— (6,226)
Profit for the period					159,722

* Unallocated corporate expenses for the nine months ended 31 December 2016 and 2017 mainly included staff cost and legal and professional fees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

4. SEGMENT INFORMATION (Continued)

(b) Geographic information

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers				
PRC	39,433	4,874	61,170	10,949
Other countries	12,086	5,776	30,303	29,846
	51,519	10,650	91,473	40,795

(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		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer A	N/A	2,012	N/A	12,314
Customer B	5,740	N/A	17,426	10,451
Customer C	11,004	N/A	13,129	N/A
	16,744	2,012	30,555	22,765

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 31 December		Nine months ended 31 December	
	2017 HK\$ '000 (unaudited)	2016 HK\$ '000 (unaudited)	2017 HK\$ '000 (unaudited)	2016 HK\$ '000 (unaudited)
Continuing operations				
Revenue				
Sales of goods	50,391	9,385	88,331	38,234
Loan interest income	158	425	741	1,079
Rental income	970	840	2,401	1,482
	51,519	10,650	91,473	40,795
Other Income				
Interest income	3	21	45	25
Exchange gain	114	66	172	535
Reversal of impairment on trade and other receivables	—	—	—	3,918
Sundry income	16	773	513	940
	133	860	730	5,418

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

6. INCOME TAX (CREDIT)/EXPENSES

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Current tax — PRC	2,204	82	3,257	113
Current tax — Hong Kong	(640)	1,771	620	4,604
Deferred tax current year	27	9,197	(21,008)	30,624
	1,591	11,050	(17,131)	35,341

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.

7. 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\$1,556,000 and approximately HK\$(86,686,000) (2016: HK\$56,463,000 and HK\$159,864,000) for the three months and nine months ended 31 December 2017 and weighted average number of ordinary shares of 2,892,000,000 and 2,892,000,000 (2016: 2,654,353,000 and 2,434,749,000) in issue during the three months and nine months ended 31 December 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

7. EARNINGS/(LOSS) PER SHARE (Continued)

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.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2017 (2016: Nil).

9. SHARE CAPITAL

	Number of ordinary share '000	Amount HK\$000
Authorised:		
At 1 April 2017 and 31 December 2017, ordinary shares of HK\$0.025 each	10,000,000	250,000
Issued and Fully paid:		
At 1 April 2017 and 31 December 2017, ordinary shares of HK\$0.025 each	2,892,000	72,300

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

10. 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 nine months ended 31 December 2017, Pioneer One Group contributed approximately HK\$50,609,000 to the Group's revenue and approximately HK\$9,008,000 to the Group's results in aggregate for the period from the date of acquisition to 31 December 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

11. 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 nine months ended 31 December 2017

**11. 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 nine months ended 31 December 2017

**11. 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

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2017 (2016: Nil).

FINANCIAL REVIEW

China's 2017 GDP growth accelerates for first time in seven years. It exceeded expectation from the market and beat Government's original target. Despite widespread concerns in the last year about financial risks in the East Asian giant amid a government-led economic restructuring, the Chinese economy transited through a phase of "creative destruction" as lively new economy sectors like e-commerce and online financial services coexist with still-dominant old economy sector to drive the production growth. Even though the risks that people worried about in 2017, for example overcapacity did not really happen and cause negative impact on GDP, China will remain cautious toward such potential threats. The government will likely to continue with its monetary tightening policies which also infer that investment will continue to be slow. And, China will keep its target for economic growth at around 6.5% in 2018.

The Company was also going through a transition from solely rely on traditional manufacturing business model diverse into a more lively and technologically advanced new business model. 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 has not only streamlined the logistic arrangement and hence cost reduction on inventory, the franchising network with its partners also provide a better platform for the Company to understand individual customer's need as well as being able to penetrate into vast furniture market in China within a extremely short period of time. Such transition has yield positive financial results for the 9 months ended 31 December 2017. This new manufacture of custom-made furniture segment has generated turnover approximately HK\$50.6 million for five months operation since it's acquisition on 1 August 2017. Gross profit margin was approximately 27.9%, which is higher than the 16.5% for the mattress and soft bed products' sales. The segment profit is approximately HK\$9.0 million which is an very encouraging results. As compare with the same period of last year, the composition of the Group's revenue has changed

MANAGEMENT DISCUSSION AND ANALYSIS

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 last year 93.7% to approximately 41.2% for the current 9 months period, and the contribution of the new custom-made furniture business is approximately 55.3%. The other revenue making segment of property investment has recorded turnover of rental income of approximately HK\$2,401,000, which is approximately 2.6% of the total revenue. The segment profit is approximately HK\$503,000. As for the money lending segment, the interest income was approximately HK\$741,000, which is approximately 0.8% of the total revenue. The segment profit is approximately HK\$595,000. Securities investment segment has recorded loss of HK\$111.8 million, representing approximately HK\$289.4 million decrease from last year of the same period.

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$122.5 million for the nine months ended 31 December 2017 which included unrealised fair value gain approximately HK\$5.6 million and realised fair value loss approximately HK\$128.1 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

As at 31 December 2017, the Group held approximately HK\$22.2 million equity investments at fair value through profit or loss (2016: approximately HK\$222.3 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 %
Smart Globe Holdings Limited	1	08485	Cayman Islands	6,840,000	1,829	3,557	16.0%	1.1%
KOALA Financial Group Limited	2	08226	Cayman Islands	35,200,000	3,977	9,856	44.3%	3.0%
Larry Jewelry International Company Limited	3	08351	Bermuda	7,000,000	1,190	3,430	15.4%	1.1%
LHN Limited	4	01730	Singapore	1,350,000	1,797	4,388	19.7%	1.4%
Individual investment less than 1% of net assets the Group					(3,150)	1,010	4.5%	0.3%

Notes:

- Smart Globe Holdings Limited is an investment holding company. Its subsidiaries are principally engaged production, distribution and printing of books, novelty and packaging products. According to its latest published financial statements, it had net asset value of approximately HK\$23,922,000 as at 30 June 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 Company Limited 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.

MANAGEMENT DISCUSSION AND ANALYSIS

4. LHN Limited is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in (i) space resource management services; (ii) facilities management services; and (iii) logistics services (the “Listing Businesses”). No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$124,316,000 as at 30 September 2017.

During the nine months ended 31 December 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\$45.0 million and loss recognised in revenue for the amount of HK\$128.1 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	6,143	3,018
Deson Construction International Holdings Limited	08268	Cayman Islands	3,497	(1,897)
M&L Holdings Group Limited	08152	Cayman Islands	4,124	2,329
Investment with individual realised gain/ (loss) less than HK\$1,000,000			20,432	1,367

MANAGEMENT DISCUSSION AND ANALYSIS

For the mattress and soft bed sales business, the turnover for the nine months ended 31 December 2017 has dropped moderately of approximately 1.3% from HK\$38.2 million in 2016 to approximately HK\$37.7 million. Gross profit of mattresses and soft bed sales increased from approximately HK\$5.6 million for the nine months ended 31 December 2016 to approximately HK\$6.2 million this year. The gross profit margin, has improved to approximately 16.5% from approximately 14.6% recorded in the corresponding period in 2016. The segment loss from mattress and soft bed business is approximately HK\$3.8 million for the nine months ended 31 December 2017 (2016: segment loss approximately HK\$13.6 million). The decrease in segment loss of mattress and soft bed business is in line with the general economy situation in China during the period.

The overall net results of the Group has decreased from last year profit of approximately HK\$159.7 million to this year loss of approximately HK\$86.7 million. This was mainly attributed to the loss incurred when the Group disposed all of its equity interest in Luen Wong (approximately HK\$131.6 million). The details of the performance of other segments are discussed in the following paragraph.

For property investment business, the Group had further invested HK\$12 million in investment properties during the period. As of the period ended 31 December 2017, total book cost of HK\$205.5 million were invested in such investment properties. Turnover of the segment is approximately HK\$2,401,000 (2016: approximately HK\$1,482,000), Segment profit was approximately HK\$503,000 (2016: approximately HK\$1,048,000). Segment turnover increased due to the increased investment in the segment, and some originally vacant properties (that was undergone renovation) was subsequently being occupied. However, the 53% drop in the segment profit is due to depreciation for the renovation cost of approximately HK\$5.2 million.

Regarding to money lending business, there was no outstanding loan receivable as of 31 December 2017. The Group however maintained approximately HK\$10 million loan size for most of the 9 months period under review. The interest charge was approximately 9% per annum. The total interest income generated from the business was approximately HK\$741,000 (2016: approximately HK\$1,079,000). And, net profit of this segment was approximately HK\$595,000 (2016: approximately HK\$882,000). 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

The administrative expenses of the Group primarily comprised expenses incurred for the professional fee, staff costs and social insurance cost. For the nine months ended 31 December 2017, the Group's administrative expenses decreased to approximately HK\$22.3 million compared to approximately HK\$28.7 million for the corresponding period of last year, representing a decrease of approximately 21.6%. 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 last year.

Selling and distribution expenses for the nine months ended 31 December 2017 was approximately HK\$7.2 million comparing to approximately HK\$3.4 million in 2016, representing an increase of approximately 113.5%. 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\$5.7 million trademark expense incurred during the period.

Business Review and Prospect

For mattress and soft bed sales business, the third quarter results of 2017 shows slightly improvement from the last two quarters. Both turnover and profit margin has shown marginal improvement. However, as the Chinese Government will continue its monetary tightening policies to mitigate credit risk as well as over capacity problem, such improvement is not likely to sustain in 2018. On the contrary, the newly acquired custom-made furniture business shows very promising results after 5 months of its acquisition. Not only it has already contributed 55.3% of total turnover of the Group, the segment net profit is approximately HK\$9 million as compare to the previous segment loss of approximately HK\$13.6 million from the mattress and soft bed sales business. This represent a net profit improvement of approximately HK\$22.6 million for the Group. Although it is still early to give final verdict for the Group's transition as far, the management is confident that the Group is moving in a right direction. Which is both in line with Government's policies as well as the current economy development. We can see the Group is gradually shifting from heavy reliance on traditional manufacturing business to a new focus on custom-made furniture business. That was also the reason the Company has changed its name to EJE (Hong Kong) Holdings Limited to reflect such changes.

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 31 December 2017 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 31 December 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	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 31 December 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 31 December 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 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

So far as is known to the Directors as at 31 December 2017, the following persons had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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 31 December 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.

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.

OTHER INFORMATION

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

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

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

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

Grantee	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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2017.

The Audit Committee also reviewed the non-compliance quarterly report of the Group for the nine months ended 31 December 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
EJE (Hong Kong) Holdings Limited
Mr. Qin Yuquan
CHAIRMAN

Hong Kong, 9 February 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.