



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

INTERIM REPORT

中期報告



* 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.

CONTENTS

Corporate Information	3
Report on Review of Interim Condensed Consolidated Financial Statements	4
Unaudited Condensed Consolidated Statement of Comprehensive Income	6
Unaudited Condensed Consolidated Statement of Financial Positions	8
Unaudited Condensed Consolidated Statement of Changes in Equity	10
Unaudited Condensed Consolidated Statement of Cash Flows	11
Notes to the Unaudited Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	36
Other Information	43



CORPORATE INFORMATION

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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



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of EJE (Hong Kong) Holdings Limited

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 6 to 35 which comprise the unaudited condensed consolidated statement of financial position of EJE (Hong Kong) Holdings Limited (the “Company”) as of 30 September 2018 and the related unaudited condensed consolidated statement of comprehensive income for the three months and six months ended 30 September 2018, unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated statement of cash flows for the six months then ended, and other explanatory notes. The Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim condensed financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

Elite Partners CPA Limited

Certified Public Accountants

Siu Jimmy

Practising Certificate Number P05898

Hong Kong, 8 November 2018

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 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 and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018	2017	2018	2017
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	32,221	28,575	72,259	39,954
Cost of sales		(22,477)	(21,193)	(50,639)	(30,164)
Gross profit		9,744	7,382	21,620	9,790
Other income	4	1,312	40	2,111	597
Selling and distribution expenses		(4,252)	(2,602)	(6,560)	(4,875)
Administrative expenses		(13,891)	(9,952)	(24,390)	(14,251)
Research expenses		–	(510)	(65)	(778)
Other operating expenses		(92)	–	(116)	–
Fair value gain on investment property		5,100	–	5,100	–
Fair value (loss)/gain on financial assets at fair value through profit or loss		(578)	8,064	(4,983)	(121,881)
Fair value loss of convertible bonds receivables		(271)	–	(271)	–
Gain on disposal of subsidiary		–	24,828	–	24,828
Share of (loss)/profit from an associate		(243)	132	(300)	74
Finance costs		(2,055)	(18)	(2,279)	(470)
(Loss)/profit before income tax credit/(expenses)	5	(5,226)	27,364	(10,133)	(106,966)
Income tax credit/(expenses)	6	1,652	(2,804)	4,088	18,722
(Loss)/profit for the period		(3,574)	24,560	(6,045)	(88,244)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2018

Notes	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Other comprehensive (expense)/ income that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of financial statements of foreign operations	(863)	623	(2,158)	1,204
Total comprehensive (expenses)/income for the period	(4,437)	25,183	(8,203)	(87,040)
(Loss)/profit for the period attributable to:				
— Owners of the Company	(3,574)	24,562	(6,045)	(88,242)
— Non-controlling interests	-	(2)	-	(2)
	(3,574)	24,560	(6,045)	(88,244)
Total comprehensive (expenses)/income for the period attributable to:				
— Owners of the Company	(4,437)	25,185	(8,203)	(87,038)
— Non-controlling interests	-	(2)	-	(2)
	(4,437)	25,183	(8,203)	(87,040)
(Loss)/earnings per share for (loss)/ earnings attributable to owners of the Company during the period				
— Basic	(0.12) cents	0.85 cents	(0.21) cents	(3.05) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	19,652	22,301
Prepayment	10	13,435	–
Investment properties		262,800	257,700
Goodwill		135,488	135,488
Intangible assets		67,760	76,399
Interest in an associate		10,186	10,487
Convertible bonds receivables		–	10,828
Total non-current assets		509,321	513,203
Current assets			
Inventories		7,691	9,449
Financial assets at fair value through profit or loss	11	15,872	23,179
Trade and other receivables	10	69,555	91,155
Loan receivables		10,000	10,000
Convertible bonds receivables		10,557	–
Cash and cash equivalents	12	11,161	21,384
Total current assets		124,836	155,167
Total assets		634,157	668,370
Current liabilities			
Trade and other payables	13	47,193	57,018
Bank and other borrowings	14	34,177	37,484
Tax payables		7,868	8,234
Obligation under finance lease		–	199
Convertible bonds		204,001	201,872
Total current liabilities		293,239	304,807

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Net current liabilities		(168,403)	(149,640)
Total assets less current liabilities		340,918	363,563
Non-current liabilities			
Deferred tax liabilities		22,563	29,358
Total non-current liabilities		22,563	29,358
Total liabilities		315,802	334,165
Net assets		318,355	334,205
Equity			
Share capital	15	72,300	72,300
Reserves		246,055	261,905
Total equity		318,355	334,205

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital reserves	Merger reserves	Statutory reserves	Convertible bonds reserves	Share option reserves	Translation reserves	Retained earnings (Accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	72,300	172,613	-	-	-	293,092	2,844	1,155	(207,799)	334,205	-	334,205
Adjustment on initial application of HKFRS 9	-	-	-	-	-	-	-	-	(7,647)	(7,647)	-	(7,647)
Adjustment balance at 1 April 2018	72,300	172,613	-	-	-	293,092	2,844	1,155	(215,446)	326,558	-	326,558
Loss for the period	-	-	-	-	-	-	-	-	(6,045)	(6,045)	-	(6,045)
Other comprehensive expense:												
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(2,158)	-	(2,158)	-	(2,158)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(2,158)	(6,045)	(8,203)	-	(8,203)
At 30 September 2018 (unaudited)	72,300	172,613	-	-	-	293,092	2,844	(1,003)	(221,491)	318,355	-	318,355
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	-	-	-	-	-	-	-	-	(88,242)	(88,242)	(2)	(88,244)
Other comprehensive income:												
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	1,204	-	1,204	-	1,204
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	1,204	(88,242)	(87,038)	(2)	(87,040)
Acquisition of subsidiary	-	-	420	-	-	-	-	-	-	420	-	420
Disposal of subsidiary	-	-	(10,207)	(8)	(6,578)	-	-	(7,318)	16,793	(7,318)	(350)	(7,668)
At 30 September 2017 (unaudited)	72,300	172,613	420	-	-	-	3,766	(232)	72,278	321,145	-	321,145

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(8,753)	2,048
Net cash (used in)/generated from investing activities	(936)	4,236
Net cash used in financing activities	(349)	(6,944)
Net decrease in cash and cash equivalents	(10,038)	(660)
Cash and cash equivalents at beginning of period	21,384	20,181
Effect of foreign exchange rates, net	(185)	(5,595)
Cash and cash equivalents at end of period	11,161	13,926

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 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 September 2018 were approved by the board of directors on 8 November 2018.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Statement of compliance

This unaudited condensed consolidated financial information for the three months and six months ended 30 September 2018 (“2018/19 Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.2 Going concern

In preparing the 2018/19 Interim Financial Information, the directors considered the operations of the Group as a going concern notwithstanding that:

- The Group incurred a loss of approximately HK\$3,574,000 and HK\$6,045,000 for the three months and six months ended 30 September 2018; and
- The Group has net current liabilities of approximately HK\$168,403,000 as at 30 September 2018.

These conditions indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the 2018/19 Interim Financial Information have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within twelve months from the date of approval of these 2018/19 Interim Financial Information, after taking into consideration that the convertible bond's holder undertake with the Company that forgo their right to request the Company to redeem the convertible bond of principal amount of HK\$212,000,000 on or before 30 September 2019.

Based on the above arrangement, the directors are therefore of the opinion that it is appropriate to prepare the 2018/19 Interim Financial Information on a going concern basis. Should the Group not be able to continue as a going concern, adjustments would have to be made to the 2018/19 Interim Financial Information to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the 2018/19 Interim Financial Information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies

In the current interim period, the Group has adopted all the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2018. Except as described below, the adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior accounting period.

The Group has not early applied any new and revised HKFRSs that are not yet effective for the current period.

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Other than as further explained below, the directors do not anticipate that the application of the new HKFRSs above will have a material effect on the Group’s consolidated financial statements and the disclosure.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group’s principal activities, the adoption of HKFRS 15 does not have material impact on the Group’s revenue recognition and HKFRS 15 had no material impact on amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) Classification and measurement

On 1 April 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Upon the adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
Financial assets				
Convertible bonds receivables	Fair value through profit or loss	Fair value through profit or loss	10,828	10,828
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	23,179	23,179
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	89,107	81,460
Loan receivables	Amortised cost (Loans and receivables)	Amortised cost	10,000	10,000
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	21,384	21,384
			154,498	146,851
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	53,269	53,269
Bank and other borrowings	Amortised cost	Amortised cost	37,484	37,484
Obligation under finance lease	Amortised cost	Amortised cost	199	199
Convertible bonds	Fair value through profit or loss	Fair value through profit or loss	201,872	201,872
			292,824	292,824

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

The following table reconciles the carrying amounts of financial assets at amortised cost under HKAS 39 to the carrying amounts under HKFRS 9 on transition to HKFRS 9 on 1 April 2018.

	Original carrying amount under		New Carrying amount under HKFRS 9
	HKAS 39	Remeasurement	
	HK\$'000	(note b) HK\$'000	HK\$'000
Convertible bonds receivables	10,828	–	10,828
Financial assets at fair value through profit or loss	23,179	–	23,179
Trade and other receivables	89,107	(7,647)	81,460
Loan receivables	10,000	–	10,000
Cash and cash equivalents	21,384	–	21,384
	154,498	(7,647)	146,851

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) *Impairment*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, loans to customers, trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9 are recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12-months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) *Impairment (Continued)*

For trade receivable

Allowances of doubtful debts for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Loan receivable

For loans receivable, the Group applies the general approach, which requires an amount equal to 12-month expected credit losses to be recognised as the allowances of doubtful debts for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increased significantly since initial recognition.

Other financial assets subject to impairment

For all other financial assets, the Group recognises allowance of doubtful debts equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowances of doubtful debts are measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Impairment (Continued)

Other financial assets subject to impairment (Continued)

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- The Group has taken an exemption not to restate comparative information for prior periods with respect to measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) *Impairment (Continued)*

Other financial assets subject to impairment (Continued)

The following table summarises the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at 1 April 2018:

	Carrying Amount as at 31 March 2018 (HK\$'000)	Effect of adoption of HKFRS 9 (HK\$'000)	Carrying Amount as at 1 April 2018 (HK\$'000)
Condensed consolidated statement of financial position (extract)			
Trade and other receivables	91,155	(7,647)	83,508
Accumulated losses	(207,799)	(7,647)	(215,446)

Loss allowances for other financial assets at amortised cost mainly comprising bank balances, and other receivables are measured on 12-month ECLs basis and there had been no significant increase in credit risk since initial recognition. No additional credit loss allowance has been recognised against retained earnings as at 1 April 2018.

The preparation of the unaudited condensed consolidated statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group's accounting policies. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 March 2018.

Except as described above, the application of HKFRS 9 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SEGMENT INFORMATION

(a) Reportable segments

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

The segment information provided to the chief operating decision-maker for reportable segments and reconciliation of the segments total to the amounts reported by the Group in the unaudited condensed consolidated financial statements are as follows:

For the six months period ended 30 September 2018

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Other income HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	66,893	2,139	-	2,495	610	122	72,259
Reportable segment profit/(loss)	7,869	(6,905)	(6,031)	1,568	480	(66)	(3,085)
Share of loss from an associate							(300)
Fair value gain on investment property							5,100
Fair value loss of convertible bond							(271)
Unallocated corporate expenses*							(7,489)
Loss for the period							(6,045)
Segment assets	118,112	42,062	34,752	273,245	11,382	-	479,553
Unallocated cash and cash equivalents							372
Goodwill							135,488
Interest in associates							10,186
Unallocated corporate assets							8,558
Total assets							634,157

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Other income HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment liabilities	19,143	52,746	2,890	1,799	88	200	76,866
Convertible bonds							204,001
Unallocated corporate liabilities							34,935
							315,802
Total liabilities							315,802
Other segment information							
Interest income	3	-	621	-	-	-	624
Interest expense	(48)	-	(56)	-	-	-	(104)
Depreciation of property, plant and equipment	(672)	-	-	-	-	-	(672)
Fair value loss on financial assets at fair value through profit or loss	-	-	(4,983)	-	-	-	(4,983)
Income tax (expense)/credit	(2,392)	55	3,719	-	-	-	1,382
Research expenses	-	(65)	-	-	-	-	(65)
Additions to non-current assets	(1,796)	-	-	-	-	-	(1,796)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months period ended 30 September 2017

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

* Unallocated corporate expense for the six months ended 30 September 2018 and 2017 mainly included staff cost and legal and professional fees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. SEGMENT INFORMATION (Continued)

(b) Geographic information

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

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue from external customers				
PRC	30,977	18,916	67,802	21,737
Other countries	1,244	9,659	4,457	18,217
	32,221	28,575	72,259	39,954

(c) Information about major customers

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 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Manufacture of custom-made furniture				
Customer A	8,312	N/A	11,764	N/A
Customer B	4,764	N/A	10,458	N/A
Mattress and soft bed products				
Customer C	N/A	10,321	N/A	11,686
	13,076	10,321	22,222	11,686

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities, which is also the Group's turnover, represented the net invoiced value of goods sold and services provided, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue				
Sales of goods	30,956	27,472	69,032	37,940
Rental income	1,135	1,043	2,495	1,431
Loan interest income	130	60	610	583
Other income	-	-	122	-
	32,221	28,575	72,259	39,954
Other income				
Interest income	312	6	624	42
Government grant	817	-	1,203	-
Exchange gain	-	-	-	58
Sundry income	183	34	284	497
	1,312	40	2,111	597

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

(Loss)/profit before income tax credit/(expenses) is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories recognised as expense	25,682	21,193	47,860	30,164
Depreciation of property, plant and equipment	325	1,471	672	1,505
Loss on disposal of property, plant and equipment	–	–	1,920	–
Amortisation of prepaid premium for land leases	–	101	–	101
Operating lease charges on rented premises	116	918	203	918
Staff costs (including directors' remuneration):				
— Wages, salaries and bonus	1,136	7,471	5,024	9,163
— Contribution to defined contribution plans	426	1,020	671	1,422

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6. INCOME TAX (CREDIT)/EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax — PRC	570	1,052	2,338	1,053
Current tax — Hong Kong	147	764	369	1,260
Deferred tax	(2,369)	988	(6,795)	(21,035)
	(1,652)	2,804	(4,088)	(18,722)

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to owners of the Company of approximately HK\$(3,574,000) and approximately HK\$(6,045,000) (2017: HK\$24,562,000 and HK\$(88,242,000)) for the three months and six months ended 30 September 2018 and weighted average number of ordinary shares of 2,892,000,000 and 2,892,000,000 (2017: 2,892,000,000 and 2,892,000,000) in issue during the three months and six months ended 30 September 2017.

The computation of diluted loss per share for both years does not assume the conversion of the Company's share options and convertible bonds 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 six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group has incurred capital expenditure of approximately HK\$1,796,000 (six months ended 30 September 2017: HK\$5,820,000) on acquisition of property, plant and equipment. There was no material disposal during both periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

10. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Prepayment	21,960	2,048
Less: non-current portion of prepayment	(13,435)	–
	8,525	2,048
Trade receivables	12,684	30,484
Other receivables	48,346	58,623
Current Portion of trade and other receivables	69,555	91,155

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

The ageing analysis of trade receivables based on the invoice date as of the end of reporting period, net of impairment, is as follows:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within 3 months	6,171	21,638
More than 3 months	6,513	8,846
	12,684	30,484

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Listed equity securities in Hong Kong, at market value	15,872	23,179

As at 30 September 2018 and 31 March 2018, the financial assets at fair value through profit or loss, amounted to approximately HK\$15,872,000 and HK\$23,179,000 respectively, were grouped in fair value hierarchy of level 1 as the fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.

12. CASH AND CASH EQUIVALENTS

Cash at banks and cash held in a securities account maintained in a securities company earns interest at floating rates based on daily bank deposit rate. Included in bank and cash balances of the Group is a balance of approximately HK\$810,000 as at 30 September 2018 which are denominated in Renminbi ("RMB") (31 March 2018: HK\$3,934,000). RMB is not a freely convertible currency.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. TRADE AND OTHER PAYABLES

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Current liabilities		
Trade payables	8,212	14,098
Other payables and accruals	34,402	30,146
Receipt in advance	4,579	12,774
	47,193	57,018

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

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within 3 months	5,245	11,045
More than 3 months	2,967	3,053
	8,212	14,098

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. BANK AND OTHER BORROWINGS

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Secured bank borrowing, repayable within one year (note a)	34,177	37,484

Note:

- (a) As at 30 September 2018, the Group's other borrowings were bearing fixed interest rate of 5.49% per annum (31 March 2018: 5.49%) and both were guaranteed by the legal representative of the Group's subsidiary and property of a former subsidiary.
- (b) As at 30 September 2018, the Group has undrawn banking facilities of HK\$15,124,000.

15. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 April 2018 and 30 September 2018, ordinary shares of HK\$0.025 each	10,000,000	250,000
Issued and fully paid:		
At 1 April 2018 and 30 September 2018, ordinary shares of HK\$0.025 each	2,892,000	72,300

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 September 2018 (31 March 2018: Nil).

17. OPERATING LEASE COMMITMENTS

As lessor

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

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Within one year	2,491	1,911
Within two to five years	343	426
	2,834	2,337

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDENDS

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

FINANCIAL REVIEW

During the period, the turnover of the Group for the six months ended 30 September 2018 was approximately HK\$72.3 million (2017: approximately HK\$40.0 million), representing an increase of approximately 80.9% as compared to the same period in the previous year.

For the custom-made furniture business, the turnover for the period ended 30 September 2018 was approximately HK\$66.9 million, which is about 331.5% increased from approximately HK\$15.5 million for the same period of last year. Such contrasting comparative figure for the segment was due to this segment was only acquired on 1 August 2017, which had only 2 months of operating results being contributed to the Group's turnover for the 6 months ended 30 September 2017. However, comparing the current period's turnover of the segment with the mattress and soft bed sales segment of only approximately HK\$22.4 million in last year, the custom-made furniture business out performed mattress and soft bed sales business by approximately 3 times. Gross profit of this segment was approximately HK\$49.3 million and gross profit margin ratio was approximately 27.3%. This was a significant improvement when compared with last year mattress and soft bed sales business, which has gross profit of only approximately HK\$3.9 million and gross profit margin ratio of approximately 17.3%. The custom-made furniture business segment has net profit of approximately HK\$7.9 million.

The turnover for the mattress and soft bed sales business has decreased by approximately 90.5% from approximately HK\$22.4 million in the previous period to approximately HK\$2.1 million for the six months ended 30 September 2018. 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. Gross profit from mattress and soft bed products' sales has dropped from previous 17.3% to 6.5%. This was mainly because higher cost was required to dispose off all the remaining stock on hand. The segment loss from mattress and soft bed products' sales was approximately HK\$6.9 million for the six months ended 30 September 2018 (2017: segment loss approximately HK\$2.3 million). This particularly poor performance for the period was mainly because the production operation had stopped in May 2018, but there were fixed costs such as amortization of trademark expense (approximately HK\$3.9 million) continuing to be incurred during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparing to the same period of last year, the composition of the Group's revenue has continue to shift toward more and more reliance on the custom-made furniture business. The contribution of mattresses and soft bed sales over the total revenue has decreased to only approximately 3.0% for the current 6 months period, and the contribution of the custom-made furniture business was approximately 92.6%. The other revenue making segment of property investment has recorded turnover of rental income of approximately HK\$2.5 million. The segment profit is approximately HK\$1.6 million. As for the money lending segment, the interest income was approximately HK\$610,000. The segment profit is approximately HK\$480,000. Securities investment segment has recorded loss of approximately HK\$6.0 million, representing approximately HK\$102.1 million improvement from last year loss.

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$5.0 million for the six months ended 30 September 2018 which included unrealised fair value loss of approximately HK\$9.6 million and realised fair value gain of approximately HK\$4.6 million. The unrealized fair value loss was mainly attributable to the poor performance of the global as well as Hong Kong's securities market.

Significant Investments

As at 30 September 2018, the Group held approximately HK\$15.9 million equity investments at fair value through profit or loss (2017: approximately HK\$24.3 million). Details of the significant investments are as follows:

	Stock Code	Place of incorporation	No. of shares held	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	through profit and loss %	percentage to the net assets %
Note							
Shun Wo Group Holdings Limited	1 1591	Cayman Islands	50,000,000	(2,424)	4,750	29.9%	1.5%
Individual investment less than 1% of net assets the Group				(7,220)	11,122	70.1%	3.5%

- 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.

As at 30 September 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\$31.4 million and gain recognised for the period of HK\$4.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
PANTRONICS HOLDINGS LIMITED	1611	British Virgin Islands	9,899	5,279
HUISHENG INTERNATIONAL HOLDINGS LIMITED	1340	Cayman Islands	1,757	(1,143)
Investment with individual realised gain/(loss) less than HK\$1,000,000			19,791	525

BUSINESS REVIEW AND PROSPECT

Fourteen months after the acquisition of custom-made furniture business in PRC, the performance of the Group improved significantly. Not only revenue increased approximately 80.9% and net loss also reduced from last year approximately HK\$88.2 million to this year approximately HK\$6.0 million, which represents approximately 93.1% improvement. The performance driver for the period is the custom-made furniture segment, which has net profit of approximately HK\$7.9 million. The weakest link was the mattress and soft bed products segment, which has historical issues that still require management's attention. And, there were related expenses continue to be incurred during the period (e.g. trademark amortization of approximately HK\$ 3.9 million). As a result, the performance of the mattress and soft bed products segment were still devastating during the period. All other segments of the Group performed reasonable well during the period with an exception of the securities investment segment. Nevertheless, such poor performance of the securities investment segment was mainly due to market factors that there was not much the Group could do to mitigate.

The consecutive two years of net loss results do not represent any structural or strategic problem of the Group. Instead, there were specific causes associated. Last year, there were approximately HK\$131.6 million lost being recognized in the income statements due to the disposal of an investment, which shares were listed on the Hong Kong Stock Exchange. This year, there were amortization expenses of approximately HK\$8.4 million for intangible assets being recognised due to the acquisition of the custom-made furniture business. Going forward, the Group will continue to pay emphasis on custom-made furniture segment.

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 six months ended 30 September 2018, the Group's administrative expenses increased significantly to approximately HK\$24.4 million compared to approximately HK\$14.3 million for the corresponding period of last year, representing an increase of approximately 71.2%. The increase was mainly due to the amortization of intangible assets of approximately HK\$8.4 million.

Selling and distribution expenses for the six months ended 30 September 2018 was approximately HK\$6.6 million comparing to approximately HK\$4.9 million in 2017, representing an increase of approximately 34.6%. Selling and distribution expenses of the Group mainly comprised of trademark, exhibition expenses, salaries and custom duties. For the period under review, the Group had entered into an agreement with celebrities during the period for them to endorse our custom-made furniture's brand name. The amortization costs of the related portrait rights was approximately HK\$2.1 million, which is the main reason for the increase in selling and distribution expenses. There was also approximately HK\$3.7 million trademark expense incurred during the period.

For the mattress and soft bed sales business, it is already in the process of wrapping up. However, further expenses are anticipated in order to settle those account receivable with customers. Fourteen months after the Group acquired the custom-made furniture business since August 2017, the market demand for custom-made furniture in China has continually growing steady. Our custom-made furniture segment has recorded approximately 180% increase in project sales and approximately 9.9% increase in retail sales. Even though there was huge increase in the number of our franchisee shop, it takes time for these franchisee shops to do decoration and other preparation work before they can start their operation. Therefore, the tremendous growth in retail sales has not yet reflected in this interim report. In June this year, we have enter celebrity endorsement agreement with Donnie Yen and Cecilia Wang, Their endorsement to our custom-made furniture brand name was very well received. And, we are expecting to see even more exciting results in third quarterly results.

Securities investment segment has recorded a net loss of approximately HK\$6.0 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. 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 DISCUSSION AND ANALYSIS

There were four investment properties held by the Group as of 30 September 2018 with the total book cost of approximately HK\$205.5 million. The six months revenue of the segment increased by approximately HK\$1.1 million from last year approximately HK\$1.4 million to this year approximately HK\$2.5 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\$995,000 of last year to approximately HK\$1.6 million of this year.

Regarding to money lending business, there was approximately HK\$10 million outstanding loan receivable as of 30 September 2018. The Group has maintained this HK\$10 million loan size for the 6 months period under review. The interest charge was approximately 9% per annum. The total interest income generated from the business was approximately HK\$610,000 (2017: approximately HK\$583,000). And, net profit of this segment was approximately HK\$480,000 (2017: approximately HK\$466,000). Going forward, the Group is intended to maintain the loan receivable scale to no more than HK\$30 million level, and the loan interest rate will be ranging from 8% to 15% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds From the Placing of Shares

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

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

	Net proceeds (HK\$ in million)	Approximate amount of net proceeds utilised up to 30 September 2018 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 30 September 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 September 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 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.



MANAGEMENT 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 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$44.80 million. Approximately HK\$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK\$24.2 million was used for general working capital purpose.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

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

As at 30 September 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 Tian Cheng Ventures Limited 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 Mr. 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 September 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 September 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 September 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 Mr. 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 September 2018.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 30 September 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 November 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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