



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

THIRD QUARTERLY REPORT 第三季度業績報告



* For identification purpose only

* 僅供識別

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This report, for which the directors (the "Directors") of EJE (HONG KONG) Holdings Limited (the "Company") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

CONTENTS

Corporate Information	3
Unaudited Condensed Consolidated Statement of Comprehensive Income	4
Unaudited Condensed Consolidated Statement of Changes in Equity	6
Notes to the Unaudited Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	15
Other Information	21



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*)
Mr. Hung Cho Sing
Mr. Chau Tsz Kong Alan
(appointed on 17 December 2018)
Mr. Wong Siu Ki
(resigned on 17 December 2018)
Mr. Matthew Chung

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Chau Tsz Kong Alan
(appointed on 17 December 2018)
Mr. Wong Siu Ki
(resigned on 17 December 2018)
Mr. Wong King Chung

COMPANY SECRETARY

Mr. Wong King Chung

COMPLIANCE OFFICER

Mr. Wong King Chung

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISER

Lin and Associates

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

8101

The Board of 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 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	5	26,799	51,519	99,058	91,473
Cost of sales		(18,398)	(37,858)	(69,037)	(68,022)
Gross profit		8,401	13,661	30,021	23,451
Other income	5	892	133	3,003	730
Selling and distribution expenses		147	(2,307)	(6,413)	(7,182)
Administrative expenses		(12,002)	(7,351)	(36,392)	(21,602)
Research expenses		(9)	(95)	(74)	(873)
Other operating expenses		(25)	-	(141)	-
Fair value gain on investment property		-	-	5,100	-
Fair value loss on financial assets at fair value through profit or loss		(1,262)	(577)	(6,245)	(122,458)
Fair value loss of convertible bonds receivables		-	-	(271)	-
Gain on disposal of subsidiary		-	-	-	24,828
Share of profit/(loss) from an associate		36	97	(264)	171
Finance costs		(109)	(414)	(2,388)	(884)
(Loss)/profit before income tax credit/(expenses)		(3,931)	3,147	(14,064)	(103,819)
Income tax credit/(expenses)	6	236	(1,591)	4,324	17,131
(Loss)/profit for the period		(3,695)	1,556	(9,740)	(86,688)
Other comprehensive Income that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of financial statements of foreign operation		(152)	463	(2,310)	1,667
Total comprehensive income/(expenses) for the period		(3,847)	2,019	(12,050)	(85,021)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

NOTES	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit/(loss) for the period attributable to:				
— Owners of the Company	(3,695)	1,556	(9,740)	(86,686)
— Non-controlling interests	-	-	-	(2)
	(3,695)	1,556	(9,740)	(86,688)
Total comprehensive income/(expenses) for the period attributable to:				
— Owners of the Company	(3,847)	2,019	(12,050)	(85,019)
— Non-controlling interests	-	-	-	(2)
	(3,847)	2,019	(12,050)	(85,021)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period				
— Basic	7 HK\$(0.13) cents	HK\$0.05 cents	HK\$(0.34) cents	HK\$(3.0) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

Unaudited 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
Profit/(loss) for the period	-	-	-	-	-	-	-	-	(9,740)	(9,740)	-	(9,740)
Other comprehensive income: Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(2,310)	-	(2,310)	-	(2,310)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,310)	(9,740)	(12,050)	-	(12,050)
At 31 December 2018 (unaudited)	72,300	172,613	-	-	-	293,092	2,844	(1,155)	(225,186)	314,508	-	314,508
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 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 31 December 2018 were approved by the board of directors on 11 February 2018.

2. BASIS OF PREPARATION

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

3. ACCOUNTING POLICIES

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

4. SEGMENT INFORMATION

(a) Reportable segments

For the period ended 31 December 2018

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 operated 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:

	Three months ended 31 December 2018						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)	Other income HK\$'000 (unaudited)	
Revenue from external customers	25,035	(34)	1,539	-	259	-	26,799
Reportable segment profit/(loss)	8,434	(703)	1,049	(6,295)	203	3	2,691
Share of profit from an associate							36
Unallocated corporate expenses*							(6,422)
Loss for the period							(3,695)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Nine months ended 31 December 2018						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)	Other income HK\$'000 (unaudited)	
Revenue from external customers	91,928	2,105	4,034	-	869	122	99,058
Reportable segment profit/(loss)	16,303	(7,608)	2,617	(12,326)	683	(63)	(394)
Share of loss from an associate							(264)
Fair value gain on investment property							5,100
Fair value loss of convertible bond							(271)
Unallocated corporate expenses*							(13,911)
Loss for the period							(9,740)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

4. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the period ended 31 December 2017

	Three months ended 31 December 2017					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 (loss)/profit	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 2017					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)

* Unallocated corporate expenses for the nine months ended 31 December 2017 and 2018 mainly included Staff cost and legal and professional fee.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

4. SEGMENT INFORMATION (Continued)

(b) Geographic information

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from external customers				
PRC	25,001	39,433	94,033	61,170
Other countries	1,798	12,086	5,025	30,303
	26,799	51,519	99,058	91,473

(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 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Manufacture of custom-made furniture				
Customer A	4,415	N/A	16,179	N/A
Customer B	2,681	N/A	13,139	N/A
Mattress and soft bed products				
Customer C	N/A	5,740	N/A	17,426
	7,096	5,740	29,318	17,426

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

5. REVENUE AND OTHER INCOME

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue				
Sales of goods	25,001	50,391	94,033	88,331
Loan interest income	259	158	869	741
Rental income	1,539	970	4,034	2,401
Other income	-	-	122	-
	26,799	51,519	99,058	91,473
Other Income				
Interest income	438	3	1,062	45
Exchange gain	-	114	-	172
Sundry income	454	16	1,941	513
	892	133	3,003	730

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

6. INCOME TAX (CREDIT)/EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax — PRC	(259)	2,204	2,079	3,257
Current tax — Hong Kong	202	(640)	571	620
Deferred tax current year	(179)	27	(6,974)	(21,008)
	(236)	1,591	(4,324)	(17,131)

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. (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\$(3,695,000) and approximately HK\$(9,740,000) (2017: HK\$1,556,000 and HK\$(86,688,000)) for the three months and nine months ended 31 December 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 nine months ended 31 December 2018.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

8. DIVIDEND

The Board does not recommend the payment of any dividend for nine months ended 31 December 2018 (2017 Nil).

9. SHARE CAPITAL

	Number of ordinary share '000	Amount HK\$'000
Authorised:		
At 1 April 2018 and 31 December 2018, ordinary shares of HK\$0.025 each	10,000,000	250,000
Issued and Fully paid:		
At 1 April 2018 and 31 December 2018, ordinary shares of HK\$0.025 each	2,892,000	72,300

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2018 (2017: Nil).

FINANCIAL REVIEW

During the period, the turnover of the Group for the nine months ended 31 December 2018 was approximately HK\$99.1 million (2017: approximately HK\$91.5 million), representing an increase of approximately 8.3% as compared to the same period in the previous year.

The manufacture of custom-made furniture segment has generated turnover approximately HK\$91.9 million for the nine months ended 31 December 2018, representing a 81.64% increase from last year approximately HK\$50.6 million (only 5 months operation since its acquisition from 1 August 2017). Gross profit margin was approximately 27.1%, which has maintaining at similar level as last year's 27.9%. The segment profit was approximately HK\$16.3 million, increased by approximately 81.0% from last year's 5 months operation.

The turnover for the mattress and soft bed sales business has decreased by approximately 94.4% from approximately HK\$37.7 million in the previous period to approximately HK\$2.1 million for the nine months ended 31 December 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 ratio from mattress and soft bed products' sales has dropped from previous 16.5% to 6.6%. 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\$7.6 million (2017: approximately HK\$3.8 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.

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 2.1% for the current 9 months period, and the contribution of the custom-made furniture business was approximately 92.8%. The other revenue making segment of property investment has recorded turnover of rental income of approximately HK\$4.0 million. The segment profit is approximately HK\$2.6 million. As for the money lending segment, the interest income was approximately HK\$869,000. The segment profit is approximately HK\$683,000.



MANAGEMENT DISCUSSION AND ANALYSIS

There were four investment properties held by the Group as of 31 December 2018 with the total book cost of approximately HK\$205.5 million. The nine months revenue of the segment increased by approximately HK\$1.6 million from last year approximately HK\$2.4 million to this year approximately HK\$4.0 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\$503,000 of last year to approximately HK\$2.6 million of this year. The increase was due to the one off renovation cost of approximately HK\$5.2 million incurred last year.

Regarding to money lending business, there was approximately HK\$10.7 million outstanding loan receivable as of 31 December 2018. The interest charge was range from 10% to 12% per annum. The total interest income generated from the business was approximately HK\$869,000 (2017: approximately HK\$741,000). And, net profit of this segment was approximately HK\$683,000 (2017: approximately HK\$595,000). 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.

Securities investment segment has recorded loss of approximately HK\$12.3 million, representing approximately HK\$99.5 million improvement from last year loss. The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$6.2 million for the nine months ended 31 December 2018 which included unrealised fair value loss of approximately HK\$3.9 million and realised fair value loss of approximately HK\$2.3 million. These losses were mainly attributable to the poor performance of the global as well as Hong Kong's securities market in the recent period.

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 31 December 2018, the Group's administrative expenses increased significantly to approximately HK\$36.4 million compared to approximately HK\$21.6 million for the corresponding period of last year, representing an increase of approximately 68.5%. The increase was mainly due to the amortization of intangible assets of approximately HK\$12.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses for the nine months ended 31 December 2018 was approximately HK\$6.4 million comparing to approximately HK\$7.2 million in 2017, representing a decrease of approximately 10.7%. Selling and distribution expenses of the Group mainly comprised of amortization of portrait rights, trademark, exhibition expenses, salaries and custom duties. The amortization of the portrait rights was approximately HK\$2.1 million, and there was also approximately HK\$3.7 million trademark expense incurred during the period.

Significant Investments

As at 31 December 2018, the Group held approximately HK\$14.1 million equity investments at fair value through profit or loss (2017: approximately HK\$22.2 million). Details of the significant investments are as follows:

						Approximate percentage of equity investments at fair value through profit and loss	Percentage to the net assets	
Note	Stock Code	Place of incorporation	No. of hares held	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	%	%	
	1	1591	Cayman Islands	50,000,000	(2,925)	4,250	30.1%	1.3%
	2	1735	Cayman Islands	2,862,000	2 (997)	6,124 3,739	43.4% 26.5%	1.9% 1.2%

Notes:

1. 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\$164,950,000 as at 30 September 2018.
2. Wang Yang Holdings Limited is an investment holding company. The Group is principally engaged in the business of foundation works and superstructure building 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\$189,263,000 as at 30 September 2018.

As at 31 December 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\$42.2 million and loss recognised in revenue for the amount of HK\$2.3 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)
KOALA Financial Group Limited	8226	Cayman Islands	1,601	(6,886)
Investment with individual realised gain/(loss) less than HK\$1,000,000			28,927	425

BUSINESS REVIEW AND PROSPECT

Since the acquisition of custom-made furniture business in 2017, the performance of the Group improved significantly. Not only revenue increased approximately 8.3% and net loss also reduced from last year approximately HK\$86.7 million to this year approximately HK\$9.7 million. The performance driver for the period is the custom-made furniture segment, which has net profit of approximately HK\$16.3 million. As for the mattress and soft bed products segment, the production has stopped since May 2018, and the management is in the process of gradually wrapping up the business. Further losses is expected to be continually incurred for the segment as additional expenses would be required for the wrapping up process.

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 which is believed to be temporary. In view of the very much anticipated volatility in the stock market in 2019, 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.

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\$12.6 million for intangible assets being recognised due to the acquisition of the custom-made furniture business. Last but not least, the Group will continue to place emphasis on custom-made furniture segment and will continue to seek opportunity to expand its scale.

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:

	Approximate amount of net proceeds utilised up to	Approximate amount of net proceeds unutilised up to
Net proceeds	31 December 2018	31 December 2018
(HK\$ in million)	(HK\$ in million)	(HK\$ in million)
Participate in overseas trade fairs	3.2	-
Production design, research and development and hire of new designer	2.4	-
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2	0.7
Construct new production facility	4.6	4.6
General working capital	1.2	-
Total	13.4	5.3

Use of Proceeds From The Placing of New Shares Under General Mandate

As at 31 December 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, in which approximately HK\$114.5 million was used for the acquisition of properties in Hong Kong for retail purpose; and approximately HK\$20 million was used for the further development of the existing and future business of the Group.

- (iv) On 11 November 2016, a total of 462,720,000 ordinary shares at HK\$0.1 each were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$44.80 million. Approximately HK\$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK\$24.2 million was used for general working capital purpose.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

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

As at 31 December 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%

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 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, Sharoi, 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 31 December 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 31 December 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 31 December 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 31 December 2018.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 December 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
Mr. Chau Tsz Kong Alan
Executive Director

Hong Kong, 11 February 2019

As at the date of this report, the executive Directors are Mr. Qin Yuquan, Mr. Hung Cho Sing, Mr. Chau Tsz Kong Alan 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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