

2019

FIRST QUARTERLY REPORT

第一季度業績報告

壹家壹品（香港）控股有限公司*

EJE(HONG KONG) HOLDINGS LIMITED

(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



*For identification purpose only
*僅供識別



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

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CORPORATE INFORMATION

PRC OFFICE

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

HONG KONG OFFICE

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
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
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 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Agricultural Bank of China

Industrial and Commercial Bank of China

Construction Bank of China

Public Bank (Hong Kong)

Bank of Communications (Hong Kong)

Bank of China (Hong Kong)

STOCK CODE

8101

The Board of Director (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

		Three months ended 30 June	
Notes		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	6	39,994	40,038
Cost of sales		(26,313)	(28,162)
Gross profit		13,681	11,876
Other income	6	131	799
Selling and distribution expenses		(2,570)	(2,308)
Administrative expenses		(13,363)	(10,499)
Research expenses		–	(65)
Other operating expenses		(96)	(24)
Fair value loss on financial assets at fair value through profit or loss		(2,429)	(4,405)
Share of result of an associate		37	(57)
Finance costs	7	(3,144)	(224)
Loss before income tax	8	(7,753)	(4,907)
Income tax credit	9	192	2,436
Loss for the period		(7,561)	(2,471)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

		Three months ended 30 June	
Notes	2019	2018	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Other comprehensive expenses that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation	(959)	(1,295)	
Total comprehensive expenses for the period	(8,520)	(3,766)	
Loss for the period attributable to Owners of the Company	(7,561)	(2,471)	
Total comprehensive expenses for the period attributable to Owners of the Company	(8,520)	(3,766)	
Loss per share (HK Cents) — Basic and diluted	(0.26)	(0.09)	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Unaudited						
	Equity attributable to owners of the Company						
	Share capital	Share premium	Share option reserves	Convertible bond reserves	Translation reserves	Retained earnings	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018	72,300	172,613	2,844	293,092	1,155	(207,799)	334,205
Loss for the period	-	-	-	-	-	(2,471)	(2,471)
Other comprehensive expenses:							
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(1,295)	-	(1,295)
Total comprehensive expenses for the period	-	-	-	-	(1,295)	(2,471)	(3,766)
At 30 June 2018 (unaudited)	72,300	172,613	2,844	293,092	(140)	(210,270)	330,439
At 1 April 2019	72,300	172,613	2,844	293,092	(528)	(227,231)	313,090
Loss for the period	-	-	-	-	-	(7,561)	(7,561)
Other comprehensive expenses:							
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(959)	-	(959)
Total comprehensive expenses for the period	-	-	-	-	(959)	(7,561)	(8,520)
At 30 June 2019 (unaudited)	72,300	172,613	2,844	293,092	(1,487)	(234,792)	304,570

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

1. GENERAL INFORMATION

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

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

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

The financial statements for the period ended 30 June 2019 were approved by the board of directors on 8 August 2019.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the first quarterly financial information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2019 ("2018/19 Annual Financial Statements").

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 which remain substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for financial periods beginning on or after 1 January 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

5. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. For the period ended 30 June 2019, the Group principally operates in five business segments, which are:

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

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

For the period ended 30 June 2019

	Manufacture of custom – made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	38,160	-	1,517	-	317	-	39,994
Reportable segment (loss)/profit	1,098	(273)	685	(3,421)	1	-	(1,910)
Share of associate profit						37	37
Convertible bond interest						(1,087)	(1,087)
Promissory Note interest						(1,626)	(1,626)
Portrait Right expenses						(1,968)	(1,968)
Unallocated corporate expenses*						(1,007)	(1,007)
Loss for the period							(7,561)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

5. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the period ended 30 June 2018

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

* Unallocated corporate expense for the period ended 30 June 2018 and 2019 mainly included staff cost and legal and professional fees.

(b) Geographic information

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

Revenue from external customers

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
PRC (place of domicile)	38,160	36,825
Other countries	1,834	3,213
	39,994	40,038

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

5. SEGMENT INFORMATION (Continued)

(b) Geographic information (Continued)

Non-current assets

	30 June 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
PRC (place of domicile)	472,113	210,237
Other countries	273,421	283,094
	745,534	493,331

(c) Information about major customers

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

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Manufacturer of custom-made furniture Customer A	6,883	5,694

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

6. REVENUE AND OTHER INCOME

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

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of goods	38,160	38,076
Loan interest income	317	480
Rental income	1,517	1,360
Other income	-	122
	39,994	40,038
Other income		
Exchange gain	-	101
Sundry income	131	698
	131	799

7. FINANCE COSTS

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank charge for over draft	85	5
Interest of other borrowings repayable within one year	255	185
Interest of promissory note	1,626	-
Interest of convertible bonds	1,087	-
Others	91	34
	3,144	224

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

8. LOSS BEFORE INCOME TAX

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	509	347
Staff cost (including directors' remuneration)		
— Wages, salaries and bonus	2,949	3,888
— Contribution to defined contribution plans	704	345

9. INCOME TAX EXPENSE

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — PRC	1,106	1,768
Current tax — Hong Kong	124	222
Deferred tax current year	(1,422)	(4,426)
	(192)	(2,436)

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% (2018: 16.5%) on the estimated assessable profits for the year ended 30 June 2019. Enterprise income tax arising from subsidiary operating in the PRC was calculated at 25% (2018: 25%) of the estimated assessable profits of the subsidiary during the year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

10. LOSS PER SHARE

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss for the purpose of basic and diluted earning per share	(7,561)	(2,471)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,892,000	2,892,000

The calculation of diluted earnings per share for the period ended 30 June 2019 and 30 June 2018 did not assume the exercise of the out standing share options as the options were anti-diluted.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2019

11. ACQUISITION OF SUBSIDIARIES

Green Step Investments Limited

On 22 January 2019, the Group has entered into an agreement to acquire the entire equity interests in Green Step Investments Limited and its subsidiaries ("Green Step Group", companies engaged in manufacture of custom-made furniture), at the consideration of approximately HK\$280,000,000. The acquisition of Green Step Group was completed on 8 May 2019.

	HK\$'000
Property, plant and equipment	6,507
Intangible assets	120,136
Inventories	12,333
Trade and other receivables	113,272
Cash and cash equivalents	92
Trade and other payables	(89,462)
Tax payables	(17,980)
Deferred tax liabilities	–
Obligation under finance lease in current portion	–
	<hr/>
	144,898
Goodwill on acquisition	135,102
Consideration satisfied by:	
Promissory Note	280,000
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	92

During the three months ended 30 June 2019, Green Step Group contributed approximately HK\$7,659,000 to the Group's revenue and approximately loss of HK\$1,337,000 to the Group's results in aggregate for the period from the date of acquisition to 30 June 2019.

12. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2019 (2018: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2019 (2018: Nil).

Financial Review

During the period, the Group has completed the acquisition of Green Step Investments Limited ("Green Step") on 8 May 2019. Green Step is a holding company indirectly holding the entire equity interest of Guangzhou Yapin which own the brand name of "壹家壹品" ("Yijia Yipin"); and operation of an online platform, namely "Designer-X". After the acquisition, the Group can now extend its retail coverage of its custom-made furniture business in the PRC without any limitation in terms of geographical location and time constraint.

The turnover of the Group for the three months ended 30 June 2019 was approximately HK\$40.0 million, which is basically on par with last year's performance. On the other hand, the net loss of the Group during the period was approximately HK\$7.5 million, which has increased by approximately 205.9% from last year's net loss of HK\$2.5 million. Such decrease in net profit was mainly attributable to the professional fee of approximately HK\$1.7 million incurred during the period for the acquisition of Green Step and financial cost approximately HK\$500,000 for operating lease in relation to new PRC factory. There were also interest charged of approximately HK\$1.6 million for the promissory note issued for the acquisition of Green Step.

For the mattress and soft bed sales segment, the production operation had stopped since May 2018, and basically all of its' assets has been disposed. And current account with debtors and creditors were all been settled. Hence, there was no turnover being recorded for the period. The segment loss was approximately HK\$273,000 (2018: approximately HK\$2.5 million). The management is already in the process of preparing it deregistration.

For the custom-made furniture business, the turnover for the period ended 30 June 2019 was approximately HK\$38.2 million, gross profit of this segment was approximately HK\$11.8 million and gross profit margin ratio was approximately 31.0%. This was a significant improvement from last year, which has gross profit of only approximately HK\$9.7 million and gross profit margin ratio of approximately 27.2%. The custom-made furniture business segment has net profit of approximately HK\$1.1 million (2018: net profit of approximately HK\$977,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The administrative expenses of the Group primarily comprised of expenses incurred for the professional fee, amortization of intangible assets, staff costs and social insurance cost. For the three months ended 30 June 2019, the Group's administrative expenses increased to approximately HK\$13.3 million compared to approximately HK\$10.5 million for the corresponding period of last year, representing an increase of approximately 27.3%. The increase was mainly attributable to the amortization of intangible assets newly acquired from Green Step amounting to approximately HK\$2.2 million as well as professional fee of approximately HK\$1.7 million for the acquisition of Green Step. On the other hand, since the operation scale has increased after the acquisition of Green Step, other administrative expenses has also increased accordingly.

Selling and distribution expenses for the three months ended 30 June 2019 was approximately HK\$2.6 million (2018: HK\$2.3 million). Selling and distribution expenses of the Group for the current period comprises mainly of amortization for portrait right amounting to approximately HK\$2.0 million. This portrait right was paid to artists to endorse and promote the corporate brand name of Yijia Yipin. On the contrary, the selling and distribution expenses for corresponding period of last year comprised mainly amortization of trademark for the mattress and soft bed production business amounting to approximately HK\$1.9 million. This year, the overall selling and distribution expenses was keeping at similar level with last year.

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$2.4 million during the period (2018: loss of approximately HK\$4.4 million) which included realised loss of approximately HK\$399,000 and unrealized fair value loss of approximately HK\$2.0 million. The securities investment segment has recorded net loss of approximately HK\$3.4 million for the period under review, which improved slightly from last year segment loss of approximately HK\$5.9 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group held approximately HK\$9.41 million equity investments at fair value through profit or loss. Details of the significant investments are as follows:

Notes	Stock Code	Place of incorporation	No. of shares held	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets %	
Shun Wo Group Holdings Ltd.	1	1591	Cayman Islands	55,000,000	(2,579)	3,190	33.9%	1.0%
Individual investment less than 1% of net assets the Group				549	6,227	66.1%	1.9%	

Note:

- 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\$130,937,000 as at 31 March 2019.

As at 30 June 2019, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$7.24 million and loss recognised for the period of approximately HK\$399,000.

Details of the transactions are as follows:

	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
Investment with individual realised gain/(loss) less than HK\$1,000,000	7,240	(399)

Business Review and Prospect

During the three months period under review, the Group's mattress and soft bed products business has basically stopped all operation. There was no turnover being recorded, and only minimal expenses was incurred. Management are already in the process of preparing it's official deregistration.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On the other hand, custom-made furniture business had continue performed exceedingly well since its acquisition in August 2017. It's performance was on track with it's profit guarantee when it was acquired. Due to such satisfactory results, the Group had further acquired Green Step, a holding company indirectly holding the entire equity interest of Guangzhou Yapin which own the brand name of "Yijia Yipin".

Since the Group had shifted it's focus from mattress and soft bed production business to custom-made furniture business, the custom-made furniture business in China kept on expanding in a phenomenal way. The original acquisition completed in August 2017 had enable the Group to tap into the custom-made furniture business in China. However, the original agreement only enable the Group to carry out custom-made furniture business under the brand name of Yijia Yipin in Southern China region for the 5 years duration. In view of exceedingly fast paced of development of the custom-made furniture in China, the management decided to further acquire the brand name of Yijia Yipin directly to further enable the Group's custom-made furniture business to expand beyond the Southern China region and without time constraint. As a results, the Group had further acquired Green Step (the acquisition was completed on 8 May 2019).

There were four investment properties held by the Group as of 30 June 2019 with the total book cost of approximately HK\$205.5 million. The three months revenue of the segment increased by approximately HK\$157,000 from last year approximately HK\$1.36 million to this year approximately HK\$1.52 million. This was due to some originally vacant properties was subsequently being occupied. However, the net profit of the segment has decreased from approximately HK\$797,000 from last year to approximately HK\$685,000 this year. The decrease was due to the one off renovation cost incurred in the period.

Regarding to money lending business, there was approximately HK\$10.7 million outstanding loan receivable as of 30 June 2019. The Group has maintained this HK\$10.7 million loan size for the 3 months period under review. The interest charge was range from 10% to 12% per annum. The total interest income generated from the business was approximately HK\$318,000 (2018: approximately HK\$480,000). And, net profit of this segment was approximately HK\$1,000 (2018: approximately HK\$386,000). The decrease was mainly attributable to additional expenses to solicit and promote the business. 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'S 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 June 2019 (HK\$ in million)	Approximate amount of net proceeds unutilised up to 30 June 2019 (HK\$ in million)
Participate in overseas trade fairs	3.2	3.2	-
Production design, research and development and hire of new designer	2.4	2.4	-
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2	1.3	0.7
Construct new production facility	4.6	-	4.6
General working capital	1.2	1.2	-
Total	13.4	8.1	5.3

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As at 30 June 2019, 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.
- (ii) On 9 April 2015, a total of 96,400,000 ordinary shares were placed at HK\$0.154 each to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 9 April 2015. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$14.2 million. The proceeds have been used as the general working capital of the Group.
- (iii) On 14 October 2015, the Company completed a rights issue on the basis of three rights shares for every one existing share held on 17 September 2015 at HK\$0.08 per rights share (the "Rights Issue") and issued 1,735,200,000 rights shares. The details of the results of the Rights Issue were set out in the announcement of the Company dated 14 October 2015. The net proceeds from the rights issue, after deducting professional fees and all related expenses, were approximately HK\$134.5 million and approximately HK\$114.5 million was used for the acquisition of properties in Hong Kong for retail purpose; and approximately HK\$20 million was used for the further development of the existing and future business of the Group.
- (iv) On 11 November 2016, a total of 462,720,000 ordinary shares at HK\$0.1 each were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$44.80 million. Approximately HK\$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK\$24.2 million was used for general working capital purpose.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

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

As at 30 June 2019, 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. Hung Cho Sing	Beneficial owner	23,136,000	(Note 1)	0.80%
Mr. Qin Yuquan	Interest of a Controlled Corporation	1,927,272,727	(Note 2)	66.64%

Note 1: The interests in underlying shares represented interests in share options granted to the Director, further details of which are set out in the section headed "Share Option Scheme" below.

Note 2: Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

Name of shareholders	Capacity	Number of shares interested	Percentage of shareholdings
Legendary Idea Limited	Beneficial owner (Note 1)	1,927,272,727	66.64%
Corsello Investments Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Tian Cheng Ventures Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Chang Tin Duk, Victor	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Qin Yuquan	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Lai Yongmei	Interest of spouse (Note 2)	1,927,272,727	66.64%
Tong Shing Ann, Sharon	Interest of spouse (Note 3)	1,927,272,727	66.64%

Note:

1. Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Corsello Investments Limited is wholly owned by 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 June 2019, 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.

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

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2019	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 30 June 2019
Director — Mr. Hung	8 September 2016	8 September 2016 to 7 September 2021	0.087	23,136,000	-	-	-	23,136,000
An employee A	8 September 2016	8 September 2016 to 7 September 2021	0.087	3,136,000	-	-	-	3,136,000
An employee B	8 September 2016	8 September 2016 to 7 September 2021	0.087	23,136,000	-	-	-	23,136,000
Consultant	8 September 2016	8 September 2016 to 7 September 2021	0.087	23,136,000	-	-	-	23,136,000
				72,544,000	-	-	-	72,544,000

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the three months ended 30 June 2019 or at any time during such period.

COMPETING INTERESTS

During the period under review, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Groups or had any other conflict or potential conflict of interest with the Group.

OTHER INFORMATION

AUDIT COMMITTEE

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

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

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

The Audit Committee has reviewed the Group's consolidated financial statements for the period ended 30 June 2019.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 30 June 2019 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
CHAU TSZ KONG ALAN
Executive Director

Hong Kong, 8 August 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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