

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



2020

第一季度業績報告

FIRST QUARTERLY REPORT



*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

Independent Non-executive Directors

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Yiu Shung Kit

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. Yiu Shung Kit

NOMINATION COMMITTEE

Mr. Tang Kin Chor (*Chairman*)
Mr. Chan Chun Wing
Mr. Yiu Shung Kit

REMUNERATION COMMITTEE

Mr. Yiu Shung Kit (*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 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Notes	Three months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	6	16,905	39,994
Cost of sales		(11,612)	(26,313)
Gross profit		5,293	13,681
Other income	6	277	131
Selling and distribution expenses		(2,006)	(2,570)
Administrative expenses		(11,783)	(13,363)
Research expenses		(839)	–
Other operating expenses		–	(96)
Fair value gain/(loss) on financial assets at fair value through profit or loss		1,741	(2,429)
Share of result of associates		49	37
Finance costs	7	(7,420)	(3,144)
Loss before income tax	8	(14,688)	(7,753)
Income tax credit	9	79	192
Loss for the period		(14,609)	(7,561)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

		Three months ended 30 June	
		2020	2019
Notes		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income/(expenses) that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation		179	(959)
Total comprehensive expenses for the period		(14,430)	(8,520)
Loss for the period attributable to Owners of the Company		(14,609)	(7,561)
Total comprehensive expenses for the period attributable to Owners of the Company		(14,430)	(8,520)
Loss per share (HK Cents)	10		
– Basic and diluted		(0.51)	(0.26)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Unaudited						
	Equity attributable to owners of the Company						
	Share capital	Share premium	Share option reserves	Convertible bond reserves	Translation reserves	Accumulated losses	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
At 1 April 2020	72,300	172,613	2,844	293,092	(3,628)	(143,847)	393,374
Loss for the period	-	-	-	-	-	(14,609)	(14,609)
Other comprehensive income:							
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	179	-	179
Total comprehensive expenses for the period	-	-	-	-	179	(14,609)	(14,430)
At 30 June 2020 (unaudited)	72,300	172,613	2,844	293,092	(3,449)	(158,456)	378,944

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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 01, 23rd Floor., China Insurance Group Building, 141 Des Voeux Road Central, 61-65 Gilman Street and 73 Connaught Road 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) securities investment in Hong Kong; (iii) property investment in Hong Kong and (iv) money lending in Hong Kong.

The financial statements for the period ended 30 June 2020 were approved by the board of directors on 11 August 2020.

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.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000), unless otherwise indicated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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 2020 ("2019/20 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 or after 1 January 2020. The adoption of new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current/prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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 2020, the Group principally operates in four business segments, which are:

- (i) Manufacture of custom made furniture;
- (ii) Property investment;
- (iii) Securities investment; and
- (iv) Money lending.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

For the period ended 30 June 2020

	Manufacture of custom - made furniture HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	14,857	1,465	-	583	16,905
Reportable segment (loss)/profit	(8,414)	586	1,393	569	(5,866)
Share of result of associates					49
Convertible bond interest					(1,107)
Promissory Note interest					(4,691)
Portrait Right expenses					(1,686)
Unallocated corporate expenses*					(1,308)
Loss for the period					(14,609)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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)	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
Convertible bond interest						(1,087)
Promissory Note interest						(1,626)
Portrait Right expenses						(1,968)
Unallocated corporate expenses*						(1,007)
Loss for the period						(7,561)

* Unallocated corporate expense for the period ended 30 June 2019 and 2020 mainly included staff cost and legal and professional fees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

(b) Geographic information

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

Revenue from external customers

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
PRC (place of domicile)	14,857	38,160
Hong Kong	2,048	1,834
	16,905	39,994

(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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Manufacture of custom-made furniture		
Customer A	N/A	6,883
Customer B	2,550	N/A
Customer C	4,930	N/A
Customer D	1,784	N/A

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Revenue from contracts with customers, represent sales of custom-made furniture	14,857	38,160
Operating lease rental income	1,465	1,517
Loan interest income under effective interest method	583	317
	16,905	39,994
Other income		
Sundry income	277	131

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

7. FINANCE COSTS

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on bank overdraft	204	85
Interest on lease liabilities	1,418	–
Interest of other borrowings repayable within one year	–	255
Interest of promissory note	4,691	1,626
Interest of convertible bonds	1,107	1,087
Others	–	91
	7,420	3,144

8. LOSS BEFORE INCOME TAX

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	375	509
Staff cost (including directors' remuneration)		
– Wages, salaries and bonus	1,472	2,949
– Contribution to defined contribution plans	256	704

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

9. INCOME TAX CREDIT

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax – PRC	35	1,106
Current tax – Hong Kong	216	124
Deferred tax current year	(330)	(1,422)
	(79)	(192)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Accordingly, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the assessable profits and at 16.5% on the assessable profits above HK\$2 million.

The Group's PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for both years, except for the tax rate of 廣州歌譽家居用品有限公司 (transliterated into 'Guangzhou Geyu Household Products Co., Limited') ("Guangzhou Geyu") and 廣州雅品家具科技有限公司 (transliterated into 'Guangzhou Yapin Furniture Technology Co., Limited') ("Guangzhou Yapin"). Guangzhou Geyu and Guangzhou Yapin are qualified as High and New Technology Enterprises and are entitled to preferential tax rate of 15% from 2018 to 2020 and from 2019 to 2021 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

10. LOSS PER SHARE

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Loss for the purpose of basic and diluted loss per share	(14,609)	(7,561)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	2,892,000	2,892,000

The calculation of diluted loss per share for the period ended 30 June 2020 and 30 June 2019 did not assume the exercise of the out standing share options and the conversion of the convertible bonds as these potential ordinary shares had an anti-dilutive effect on the calculation of diluted loss per share.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020 (2019: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020 (2019: Nil).

FINANCIAL REVIEW

Last year, the Group has completed the acquisition of Green Step Investments Limited ("Green Step"), which enable the Group ultimately owned the brand name of "壹家壹品" ("Yijia Yipin"). Ever since, the Group entitled to expand its business beyond South China area, the originally licensed region to carry out business with the brand name Yijia Yipin. As a results, a series of production expansion plans was being carried out to facilitate the anticipated demand increase. Unfortunately, China was caught up with the China-US trade war and later the COVID-19 outbreak when the company was ready. Our factories for the custom-made furniture segment was even forced to lockdown temporarily in February 2020.

As a results, the turnover of the Group for the three months ended 30 June 2020 was only approximately HK\$16.9 million, decreased by approximately 57.7% as compared to last year. On the other hand, the net loss of the Group during the period was approximately HK\$14.6 million, increased almost doubled from last year's net loss of HK\$7.6 million.

The rather poor performance of the Group was mainly attributable to the custom-made furniture segment. The turnover of custom-made furniture segment was approximately 14.9 million, which represent a huge decrease of approximately 61.1% from last year. Among which, the turnover contributed by retail franchise business was approximately HK\$4.3 million, which was approximately 28.6% of the total segment revenue. And, project sales contributed approximately HK\$10.6 million, which was approximately 71.4% of the total segment revenue. The Group had to shift its business focus from franchise network retail sales which has higher gross profit margin to the project sales which has lower profit margin to secure comparatively more stable revenue. Because of the shift, gross profit margin decreased significantly from last year approximately 31.0% to this year approximately 21.8%. The segment net loss was approximately HK\$8.4 million, decreased by approximately HK\$9.5 million from last year net profit of approximately HK\$1.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The poor performance of the custom-made furniture segment were mainly due to fixed overhead cost required to maintain operation. The Group had actually been able to reduce the administrative and selling expenses of the segment by approximately 5.75% and 46.9% respectively. Nevertheless, due to the expansion plan that the Group had committed immediate after the acquisition of Green Step in May last year, the Group has entered into several finance lease contracts for new machinery as well as the factory premises. And, related lease interest incurred has drove the finance cost increase approximately 310.2% from last year approximately HK\$346,000 to this year approximately HK\$1.4 million for the segment. Given that sales was drastically decreased but the overall expenses still increased instead, the segment recorded a net loss for the three months ended 30 June 2020.

For the mattress and soft bed sales segment, the segment was officially being discontinued after the deregistration of related subsidiary in March 2020.

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 period ended 30 June 2020, the Group's administrative expenses decreased to approximately HK\$11.8 million compared to approximately HK\$13.4 million for the corresponding period of last year, representing a decrease of approximately 11.8%. The decrease was mainly due to the shrinking production attributable to the adverse impact from COVID-19 outbreak.

Selling and distribution expenses for period ended 30 June 2020 was approximately HK\$2.0 million comparing to approximately HK\$2.6 million in 2019, representing a decrease of approximately 21.9%. Selling and distribution expenses of the Group decrease mainly attributable to the shrinking demand caused by COVID-19 outbreak. The Group had to deliberately put various marketing activities on hold.

Finance cost for the period ended 30 June 2020 was approximately HK\$7.4 million comparing to approximately HK\$3.1 million in 2019, representing a significant increase of approximately HK\$4.3 million. Finance cost's increase mainly attributable to the promissory note interest and imputed interest of approximately HK\$2.0 million and HK\$2.7 million respectively incurred in relation to the promissory note with face value of HK\$280 million being issued for the acquisition of Green Step. Since the acquisition was only completed on 8 May 2019, there was only less than 2 months interest incurred approximately HK\$1.6 million in the corresponding period. Other finance cost also includes convertible bond interest of approximately HK\$1.1 million in relation to the convertible bond issued for the acquisition of Pioneer One in 2017 and also finance lease for factory of approximately HK\$1.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group recorded fair value gain on financial assets at fair value through profit or loss approximately HK\$1.7 million during the period (2019: loss of approximately HK\$2.4 million) which included realised gain of approximately HK\$1.2 million and unrealized fair value gain of approximately HK\$521,000. The securities investment segment has recorded net gain of approximately HK\$1.4 million for the period under review, which improved greatly from last year segment loss of approximately HK\$3.4 million.

Significant Investments

As at 30 June 2020, the Group held approximately HK\$9.59 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 %
Hong Kong Education (Int'l) Investments Limited	1	1082	Cayman Islands	4,500,000	578	4,095	42.7	1.1
Individual investment less than 1% of net assets the Group					(57)	5,499	57.3	1.5

Note:

- Hong Kong Education (Int'l) Investments Limited as an investment holding company while its principal subsidiaries are principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the period. According to its latest published financial statements. It had net assets value of approximately HK\$182,827,000 as at 31 December 2019.

As at 30 June 2020, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$4.83 million and gain recognised for the period of approximately HK\$1.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/ (loss) HK\$'000
C-LINK SQUARED LIMITED	1463	Cayman Islands	3,814	1,004
Investment with individual realised gain/(loss) less than HK\$1,000,000			1,021	216

BUSINESS REVIEW AND PROSPECT

During the three months period under review, the performance of the Group's custom-made furniture business continue overshadowed by the pervasive adverse impact of COVID-19. And, such adverse impact was gradually reflected in the financial results. The financial performance was a bit worse than what the management's had originally anticipated in March this year. The COVID-19 situation was being stabilised by various effective measures implemented by the PRC government back in March, and factories were resuming operation gradually. Businesses were just kept their figures crossed awaiting for demand to resume back to the level before the pandemic. However, it seems the demand for furniture market did not catch up as quickly as generally expected.

The Group had completed the acquisition of Green Step in May 2019, which enable the Group to ultimately own the brand name of Yijia Yipin to expand its custom-made furniture business beyond the Southern China region. The original intention was to make a fast move to seize the opportunity to challenge other players in the industries to grab more market share of the uprising custom-made furniture business in China. The Group had a plan to expand production capacity to pave way to facilitate the anticipated increase in demand for custom-made furniture as we were going to exert more marketing effort to promote brand name of Yijia Yipin and boost the sales. Unfortunately, immediate after the completion of the acquisition of Green Step, China's economy was caught up with the China-United States trade war and later on the COVID-19 pandemic. Market sentiment has suddenly turned to opposite direction. Demand for furniture products as well as other consumer products was dropping gradually.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unlike trading and service industries, manufacturing business lack of flexibility to adjust the use and allocation of capital and resources in time of uncertainty and turmoil. Manufacturing business normally has a significant portion of fix overhead cost required to maintain and sustain reasonable operation. Even when the demand might fall below a threshold that continue operation may result in loss, manufacturers do not have much options to counter the situation. In addition, there are production and sales cycles lead time issues causing further mismatch of the timing between capital being invested and corresponding profit eventually being recognised in the account.

The overall turnover of the Group for the three months ended 30 June 2020 was approximately HK\$16.9 million, decreased approximately 57.7% as compared to last year. Such poor performance was mainly attributable to the custom-made furniture segment. The segment loss of approximately HK\$ 8.4 million contributed approximately 57.6% to the total net loss of the Group (2019: net segment profit of HK\$1.1 million as against the total net loss of the Group HK\$7.6 million). Nevertheless, the management still maintain positive view toward the underlying fundamentals of the economy in China as well as the custom-made furniture business in particular, and believe that the temporary poor performance was only due to the external factors that over shadow the economy in China at times.

There were four investment properties held by the Group as of 30 June 2020 with the total book cost of approximately HK\$205.5 million. The three months revenue of the property investment segment was approximately HK\$1.5 million, which was maintaining at similar level to last year. However, the net profit of the segment has decreased from approximately HK\$685,000 from last year to approximately HK\$586,000 this year. The decreased was due to temporary rental discount offered to tenants due to COVID-19.

Regarding to money lending business, there were approximately HK\$11.7 million outstanding loan receivable as of 30 June 2020. The interest charged to borrowers was range from 10% to 12% per annum. The total interest income generated from the business was approximately HK\$583,000 (2019: approximately HK\$318,000). And, net profit of this segment was approximately HK\$569,000 (2019: approximately HK\$1,000). The increase was mainly attributable to the average loan receivable amount increased from last year approximately HK\$10.7 million to this year approximately HK\$16.5 million. 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

Subsequent Events after the Reporting Period

(a) The Proposed Extension of Maturity Date of Convertible Bond:

As disclosed in the Company's announcement dated 3 July 2020, 24 July 2020 and circular dated 31 July 2020, the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding Convertible Bond for two years to the New Maturity Date of 1 August 2022, and the conversion period and the early redemption period of the Convertible Bond will accordingly be further extended for two years to 1 August 2022 (i.e. the Alteration). The proposed Alteration is conditional upon, among other things, the approval of the Shareholders at the EGM.

(b) The Proposed Share Consolidation:

As disclosed in the Company's announcement dated 21 July 2020, the Company proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Shares of par value of HK\$0.025 each be consolidated into one (1) Consolidated Share of par value of HK\$0.25 each. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the EGM.

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 2020, 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 2020, 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 2020	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 30 June 2020
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
				<u>72,544,000</u>	-	-	-	<u>72,544,000</u>

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 2020 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. Yiu Shung Kit. 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 2020.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 30 June 2020 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

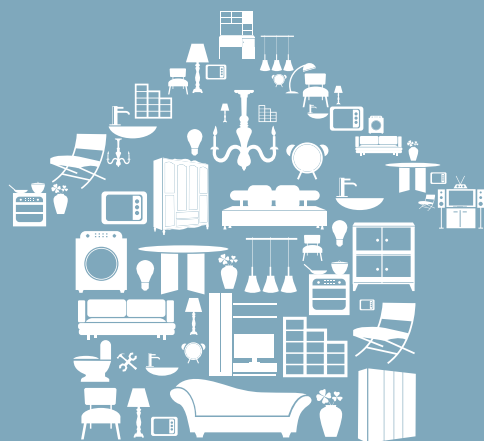
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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, 11 August 2020

As at the date of this report, the executive Directors are Mr. Qin Yuquan, Mr. Hung Cho Sing and Mr. Chau Tsz Kong Alan; and the independent non-executive Directors are Mr. Yiu Shung Kit, Mr. Tang Kin Chor and Mr. Chan Chun Wing.



Stock Code 股份代號： 8101

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