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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

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141 Des Voeux Road Central,
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73 Connaught Road Central,
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WEBSITE

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BOARD OF DIRECTORS

Executive Directors

Mr. Qin Yuquan (*Chairman*)
Mr. Hung Cho Sing
Mr. Chau Tsz Kong Alan
Mr. Matthew Chung
(*resigned on 20 August 2019*)

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 7 to 34 which comprise the unaudited condensed consolidated statement of financial position of EJE (Hong Kong) Holdings Limited (the "Company") as of 30 September 2019 and the related unaudited condensed consolidated statement of comprehensive income for the three months and six months ended 30 September 2019, unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated statement of cash flows for the six months then ended, and other explanatory notes. The Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.2 in the condensed consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$28,691,000 during the six months ended 30 September 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$143,649,000. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Elite Partners CPA Limited

Certified Public Accountants

Siu Jimmy

Practising Certificate Number P05898

Hong Kong, 8 November 2019

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 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 and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	41,238	32,221	81,232	72,259
Cost of sales		(25,870)	(22,477)	(52,183)	(50,639)
Gross profit		15,368	9,744	29,049	21,620
Other income	4	2,605	1,312	2,736	2,111
Selling and distribution expenses		(4,782)	(4,252)	(7,352)	(6,560)
Administrative expenses		(6,437)	(13,891)	(19,800)	(24,390)
Research expenses		(3,217)	–	(3,217)	(65)
Other operating expenses		(147)	(92)	(243)	(116)
Impairment to loan receivable		(748)	–	(748)	–
Fair value (loss)/gain on investment property		(17,300)	5,100	(17,300)	5,100
Fair value loss on financial assets at fair value through profit or loss		(1,265)	(578)	(3,694)	(4,983)
Fair value loss of convertible bonds receivables		–	(271)	–	(271)
Share of loss from an associate		(706)	(243)	(669)	(300)
Finance costs		(5,837)	(2,055)	(8,981)	(2,279)
Loss before income tax credit	5	(22,466)	(5,226)	(30,219)	(10,133)
Income tax credit	6	1,336	1,652	1,528	4,088
Loss for the period		(21,130)	(3,574)	(28,691)	(6,045)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other comprehensive expense that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of financial statements of foreign operations		(3,627)	(863)	(4,586)	(2,158)
Total comprehensive expenses for the period		(24,757)	(4,437)	(33,277)	(8,203)
Loss for the period attributable to: Owners of the Company		(21,130)	(3,574)	(28,691)	(6,045)
Total comprehensive expenses for the period attributable to: Owners of the Company		(24,757)	(4,437)	(33,277)	(8,203)
Loss per share (HK Cents) — Basic and diluted	7	(0.73)	(0.12)	(0.99)	(0.21)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		26,291	18,641
Prepayment	9	–	1,894
Investment properties		250,600	267,900
Goodwill		247,601	135,488
Intangible assets		161,740	59,122
Interest in an associate		9,616	10,286
Right-of-use asset		67,582	–
Total non-current assets		763,430	493,331
Current assets			
Inventories		38,097	10,842
Financial assets at fair value through profit or loss	10	5,004	9,060
Trade and other receivables	9	154,590	77,208
Loan receivables		9,834	10,309
Cash and cash equivalents		12,945	28,127
Total current assets		220,470	135,546
Total assets		983,900	628,877
Current liabilities			
Trade and other payables	11	115,955	35,251
Bank and other borrowings	12	3,294	35,075
Tax payables		10,822	5,123
Obligation under finance lease		–	3,398
Bank overdraft		19,135	8,554
Convertible bonds		208,326	206,152
Lease liabilities		6,587	–
Total current liabilities		364,119	293,553

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Net current liabilities		(143,649)	(158,007)
Total assets less current liabilities		619,781	335,324
Non-current liabilities			
Deferred tax liabilities		46,423	20,741
Obligation under finance lease in long-term portion		–	1,493
Lease liabilities in long-term portion		65,512	–
Contingent consideration		228,033	–
Total non-current liabilities		339,968	22,234
Total liabilities		704,087	315,787
Net assets		279,813	313,090
Equity			
Share capital	13	72,300	72,300
Reserves		207,513	240,790
Total equity		279,813	313,090

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Equity attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds reserves HK\$'000	Share options reserves HK\$'000	Translation reserves HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2019	72,300	172,613	293,092	2,844	(528)	(227,231)	313,090
Loss for the period	-	-	-	-	-	(28,691)	(28,691)
Other comprehensive expense:							
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(4,586)	-	(4,586)
Total comprehensive expense for the period	-	-	-	-	(4,586)	(28,691)	(33,277)
At 30 September 2019 (unaudited)	72,300	172,613	293,092	2,844	(5,114)	(255,922)	279,813
At 1 April 2018	72,300	172,613	293,092	2,844	1,155	(207,799)	334,205
Adjustment on initial application of HKFRS 9	-	-	-	-	-	(7,647)	(7,647)
Adjustment balance at 1 April 2018	72,300	172,613	293,092	2,844	1,155	(215,446)	326,558
Loss for the period	-	-	-	-	-	(6,045)	(6,045)
Other comprehensive expense:							
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(2,158)	-	(2,158)
Total comprehensive expense for the period	-	-	-	-	(2,158)	(6,045)	(8,203)
At 30 September 2018 (unaudited)	72,300	172,613	293,092	2,844	(1,003)	(221,491)	318,355

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	18,267	(8,753)
Net cash used in investing activities	(332)	(936)
Net cash used in financing activities	(43,625)	(349)
Net decrease in cash and cash equivalents	(25,690)	(10,038)
Cash and cash equivalents at beginning of period	19,573	21,384
Effect of foreign exchange rates, net	(73)	(185)
Cash and cash equivalents at end of period	(6,190)	11,161
Analysis of balance of cash and cash equivalents		
Cash and bank balance	12,945	11,161
Bank overdraft	(19,135)	–
	(6,190)	11,161

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 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 six months ended 30 September 2019 were approved by the board of directors on 8 November 2019.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Statement of compliance

This unaudited condensed consolidated financial information for the three months and six months ended 30 September 2019 (“2019/20 Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.2 Going concern

In preparing the 2019/20 Interim Financial Information, the directors considered the operations of the Group as a going concern notwithstanding that:

- The Group incurred a loss of approximately HK\$21,130,000 and HK\$28,691,000 for the three months and six months ended 30 September 2019; and
- The Group has net current liabilities of approximately HK\$143,649,000 as at 30 September 2019.

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

Notwithstanding the aforesaid conditions, the 2019/20 Interim Financial Information have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within twelve months from the date of approval of these 2019/20 Interim Financial Information, after taking into consideration that the convertible bond's holder undertake with the Company that forgo their right to request the Company to redeem the convertible bond of principal amount of HK\$212,000,000 on or before 30 September 2020.

Based on the above arrangement, the directors are therefore of the opinion that it is appropriate to prepare the 2019/20 Interim Financial Information on a going concern basis. Should the Group not be able to continue as a going concern, adjustments would have to be made to the 2019/20 Interim Financial Information to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the 2019/20 Interim Financial Information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies

In the current interim period, the Group has adopted all the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2019. Except as described below, the adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior accounting period.

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

The Group applies, for the first time, HKFRS 16 Leases. As required by HKAS 34, the nature and effect of these changes are disclosed below.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HKIFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases-incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land use right. For an explanation of how the Group applies lessee accounting.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies (Continued)

b. Lessee accounting and transitional impact (Continued)

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.7%.

To ease the transition to HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019.

	1 April 2019 HK\$'000 (unaudited)
Operating lease commitments at 31 March 2019	1,201
Less: commitments relating to leases exempt from capitalisation: Short-term lease and other leases with remaining lease term ending on or before 31 March 2020	(18)
Less: total future interest expenses	(104)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and total lease liabilities recognised at 1 April 2019	<u>1,079</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies (Continued)

b. Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies (Continued)

b. Lessee accounting and transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019	Capitalisation of operating lease	Reclassification of obligation under finance lease	Carrying amount at 1 April 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Non-current assets				
Right-of-use assets	-	1,079	-	1,079
Current liabilities				
Lease liabilities (current)	-	77	3,398	3,475
Obligation under finance lease (current)	3,398	-	(3,398)	-
Non-current liabilities				
Lease liabilities (non-current)	-	1,002	1,493	2,495
Obligation under finance lease (non-current)	1,493	-	(1,493)	-

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies (Continued)

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

d. *Leasehold investment property*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

2.3 Changes in accounting policies (Continued)

e. *Lessor accounting*

In addition to leasing out the investment property referred to in paragraph d. above, the Group does not lease out any other assets as the lessor of operating leases.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3. SEGMENT INFORMATION

(a) Reportable segments

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. 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 six months period ended 30 September 2019

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	75,522	1,929	-	3,138	643	81,232
Reportable segment profit/(loss)	1,527	98	(5,542)	2,086	(477)	(2,308)
Share of loss from an associate						(669)
Fair value loss on investment property						(17,300)
Unallocated corporate expenses*						(8,414)
Loss for the period						(28,691)
Segment assets	654,980	2,447	14,552	259,734	10,595	942,308
Unallocated cash and cash equivalents						372
Interest in associates						9,616
Unallocated corporate assets						31,604
Total assets						983,900

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment liabilities	221,135	10,614	22,025	2,657	236	256,667
Borrowing						3,294
Convertible bonds						208,326
Unallocated corporate liabilities						235,800
						704,087
Total liabilities						704,087
Other segment information						
Interest income	1	-	36	-	-	37
Interest expense	(1,869)	(210)	(279)	-	-	(2,358)
Amortisation of intangible assets	(12,968)	-	-	-	-	(12,968)
Depreciation of property, plant and equipment	(981)	-	-	(333)	-	(1,314)
Fair value loss on financial assets at fair value through profit or loss	-	-	-	(3,694)	-	(3,694)
Income tax (expense)/credit	1,906	-	-	(324)	(54)	1,528
Research expenses	(3,217)	-	-	-	-	(3,217)
Additions to non-current assets	(424)	-	-	-	-	(424)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the six months period ended 30 September 2018

	Manufacture of custom- made furniture HK\$'000 (unaudited)	Mattress and soft bed products HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Other income HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	66,893	2,139	-	2,495	610	122	72,259
Reportable segment profit/(loss)	7,869	(6,905)	(6,031)	1,568	480	(66)	(3,085)
Share of loss from an associate							(300)
Fair value gain on investment property							5,100
Fair value loss of convertible bond							(271)
Unallocated corporate expenses*							(7,489)
Loss for the period							(6,045)
Segment assets	253,600	42,062	34,752	273,245	11,382	-	615,041
Unallocated cash and cash equivalents							372
Interest in associates							10,186
Unallocated corporate assets							8,558
Total assets							634,157
Segment liabilities	19,143	52,746	2,890	1,799	88	200	76,866
Convertible bonds							204,001
Unallocated corporate liabilities							34,935
Total liabilities							315,802
Other segment information							
Interest income	3	-	621	-	-	-	624
Interest expense	(48)	-	(56)	-	-	-	(104)
Depreciation of property, plant and equipment	(672)	-	-	-	-	-	(672)
Fair value loss on financial assets at fair value through profit or loss	-	-	(4,983)	-	-	-	(4,983)
Income tax (expense)/credit	(2,392)	55	3,719	-	-	-	1,382
Research expenses	-	(65)	-	-	-	-	(65)
Additions to non-current assets	(1,796)	-	-	-	-	-	(1,796)

* Unallocated corporate expense for the six months ended 30 September 2019 and 2018 mainly included finance cost, staff cost and legal and professional fees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SEGMENT INFORMATION (Continued)

(b) Geographic information

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue from external customers				
PRC	39,256	30,977	77,416	67,802
Other countries	1,982	1,244	3,816	4,457
	41,238	32,221	81,232	72,259

(c) Information about major customers

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Manufacture of custom-made furniture				
Customer A	2,179	8,312	9,062	11,764
Customer B	N/A	4,764	N/A	10,458
Customer C	11,508	N/A	11,508	N/A
	13,687	13,076	20,570	22,222

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND OTHER INCOME

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue				
Sales of goods	39,291	30,956	77,451	69,032
Rental income	1,621	1,135	3,138	2,495
Loan interest income	326	130	643	610
Other income	-	-	-	122
	41,238	32,221	81,232	72,259
Other income				
Interest income	38	312	38	624
Government grant	1,918	817	1,918	1,203
Sundry income	649	183	780	284
	2,605	1,312	2,736	2,111

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cost of inventories recognised as expense	22,790	25,682	46,582	47,860
Depreciation of property, plant and equipment	805	325	1,314	672
Depreciation of right of use asset	1,774	–	2,987	–
Amortisation of intangible assets	7,173	–	12,968	–
Loss on disposal of property, plant and equipment	–	–	–	1,920
Operating lease charges on rented premises	–	116	18	203
Staff costs (including directors' remuneration):				
— Wages, salaries and bonus	9,001	1,136	11,950	5,024
— Contribution to defined contribution plans	1,102	426	1,806	671

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. INCOME TAX CREDIT

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax — PRC	175	570	1,281	2,338
Current tax — Hong Kong	254	147	378	369
Deferred tax	(1,765)	(2,369)	(3,187)	(6,795)
	(1,336)	(1,652)	(1,528)	(4,088)

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$21,130,000 and approximately HK\$28,691,000 (three months and six months ended 30 September 2018: HK\$3,574,000 and HK\$6,045,000) for the three months and six months ended 30 September 2019 and weighted average number of ordinary shares of 2,892,000,000 and 2,892,000,000 (three months and six months ended 30 September 2018: 2,892,000,000 and 2,892,000,000) in issue during the three months and six months ended 30 September 2019.

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

8. DIVIDEND

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

9. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Prepayment	24,565	33,954
Less: non-current portion of prepayment	–	(1,894)
	24,565	32,060
Trade receivables	121,745	26,466
Less: allowance for impairment loss	(7,482)	(7,963)
	114,263	18,503
Other receivables	15,762	26,645
Current Portion of trade and other receivables	154,590	77,208

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

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within 3 months	13,593	16,438
3 to 6 months	11,821	2,065
6 to 12 months	88,849	–
	114,263	18,503

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Listed equity securities in Hong Kong, at market value	5,004	9,060

As at 30 September 2019 and 31 March 2019, the financial assets at fair value through profit or loss were grouped in fair value hierarchy of level 1 as the fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Current liabilities		
Trade payables	55,927	10,025
Other payables and accruals	57,148	21,615
Receipt in advance	2,880	3,611
	115,955	35,251

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within 3 months	3,195	5,637
3 to 6 months	2,668	4,388
6 to 12 months	49,587	–
Over 1 year	477	–
	55,927	10,025

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. BANK AND OTHER BORROWINGS

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Secured bank borrowing, repayable within one year	3,294	35,075

13. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
At 1 April 2019 and 30 September 2019, ordinary shares of HK\$0.025 each	10,000,000	250,000
Issued and fully paid:		
At 1 April 2019 and 30 September 2019, ordinary shares of HK\$0.025 each	2,892,000	72,300

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 September 2019 (31 March 2019: Nil).

15. OPERATING LEASE COMMITMENTS

As lessor

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within one year	3,970	3,566
Within two to five years	737	1,052
	4,707	4,618

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDENDS

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

FINANCIAL REVIEW

During the period, the turnover of the Group for the six months ended 30 September 2019 was approximately HK\$81.2 million (2018: approximately HK\$72.3 million), representing an increase of approximately 12.4% compared to the same period of year.

For the custom-made furniture business, the turnover for the period ended 30 September 2019 was approximately HK\$75.5 million, which is about 12.9% increased from approximately HK\$66.9 million for the same period of last year. Such increase was mainly attributable to the newly acquired sub-group — Green Step Investments Limited (“Green Step”). The Group has completed the acquisition of 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”); the Group can now extend its retail coverage of custom-made furniture business in the PRC with full autonomy. On the other hand, the net loss of the Group during the period was approximately HK\$28.7 million, which has increased by approximately 374.6% from last year’s net loss of HK\$6.0 million. Such decrease in net profit was mainly attributable to the amortization of intangible assets of approximately HK\$12.8 million, professional fee of approximately HK\$1.7 million incurred during the period for the acquisition of Green Step, depreciation of convertible bond payable of approximately HK\$2.2 million and financial cost approximately HK\$1.7 million for operating lease in relation to new PRC factory. There were also interest charged of approximately HK\$4.4 million for the promissory note issued for the acquisition of Green Step.

The turnover for the mattress and soft bed sales business has decreased by approximately 9.8% from approximately HK\$2.1 million in last year to approximately HK\$1.9 million for the six months ended 30 September 2019. The turnover represents the sales from previous period being understated and only be recognized during the process of warping up the business. The segment profit from mattress and soft bed products was approximately HK\$98,000 for the six months ended 30 September 2019 as compare to the segment loss of approximately HK\$6.9 million in last year. Such improvement was mainly due to income and other income related to previous accounting period being recognized during the process of preparing for deregistration. The production operation of the segment had already been stopped since May 2018, and the deregistration process is expected to be completed toward the end of this year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$3.7 million for the six months ended 30 September 2019 which included unrealised fair value loss of approximately HK\$3.2 million and realised fair value loss of approximately HK\$535,000. The unrealised fair value loss was mainly attributable to the poor performance of the global as well as Hong Kong's securities market.

Significant Investments

As at 30 September 2019, the Group held approximately HK\$5.0 million equity investments at fair value through profit or loss (2018: approximately HK\$15.9 million). Details of the significant investments are as follows:

	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	through profit and loss %	percentage to the net assets %
Individual investment less than 1% of net assets the Group	(3,160)	5,004	100%	1.8%

As at 30 September 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\$13.0 million and loss recognised for the period of approximately HK\$535,000.

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	13,046	(535)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

Since the acquisition of custom-made furniture business in 2017, the performance of the Group improved consistently throughout these twenty five months period. Overall revenue increased approximately 12.4% from the same period of last year. The custom-made furniture business in China kept on expanding in a phenomenal way since the original acquisition completed in August 2017. Which enabled the Group to tap into the custom-made furniture business in China. However, the original agreement only entitle 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). Except for the mattress and soft bed products business which had stopped operation since May last year and is undergoing the process of deregistration, all other segments of the Group performed reasonable consistent during the period with an exception of the securities investment segment. Nevertheless, such poor performance of the securities investment segment was mainly due to market factors that the Group could not do much to mitigate.

The consecutive two years of net loss results do not represent any operating problem of the Group. Instead, they were both mainly associated amortization expenses of for the intangible assets acquired. This year amounting to approximately HK\$12.8 million as against last year approximately HK\$8.4 million. The increase in amortization expenses is attributable to the newly acquired intangible assets through the acquisition of Green Step in May this year. In addition, there were also fair value loss approximately HK\$17.3 for investment property and promissory note interest of approximately HK\$4.4 million incurred for the promissory note with face value of HK\$280 million issued for the acquisition of Green Step.

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 six months ended 30 September 2019, the Group's administrative expenses decreased to approximately HK\$23.0 million compared to approximately HK\$24.4 million for the corresponding period of last year, representing a decrease of approximately 5.6%. The decrease was mainly attributable to the shirking operation of the mattress and soft bed product sales segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses for the six months ended 30 September 2019 was approximately HK\$7.4 million comparing to approximately HK\$6.6 million in 2018, representing an increase of approximately 12.1%. Selling and distribution expenses of the Group increase mainly represent the change in business model. The selling and distribution expenses for corresponding period of last year comprised mainly amortization of trademark for the mattress and soft bed products sales business. While under the new custom-made furniture business model, selling and distribution expenses comprises mainly of amortization for portrait right amounting to approximately HK\$3.9 million. This portrait right was paid to artists to endorse and promote the corporate brand name of Yijia Yipin.

For the mattress and soft bed products sales business, the deregistration process is in its final stage, and it is expected the process will be completed toward the year of this year. After the Group acquired the custom-made furniture business since August 2017, the market demand for custom-made furniture in China has continually growing steady. Our custom-made furniture segment has recorded increase in both project sales and retail sales. Even though there was huge increase in the number of our special franchise shop, the production capacity would need to expand rapidly to fully unleash the potential of such an increase in number of our special franchise shops. And, the management is planning carefully for the capital required for the next phases of expansion.

Securities investment segment has recorded a net loss of approximately HK\$5.5 million for the current period. The poor performance of the segment was mainly due to the poor performance of the overall securities market in Hong Kong. In view of the recent volatility in the stock market, the Group has already reduced the scale of investment portfolio to approximately HK\$5 million to HK\$10 million level and will also adopt cautious measures to manage the Group's investment in securities market.

There were four investment properties held by the Group as of 30 September 2019 with the total book cost of approximately HK\$205.5 million. The six months revenue of the segment increased by approximately HK\$643,000 million from last year approximately HK\$2.5 million to this year approximately HK\$3.1 million. This was due to some originally vacant properties was subsequently being occupied. The net profit of the segment has also increased from approximately HK\$1.6 million of last year to approximately HK\$2.1 million of this year. Unfortunately, due to recent negative market sentiment in Hong Kong, the fair value to these investment properties decreased by approximately 6.5%, which resulted in fair value loss of approximately HK\$17.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding to money lending business, there was originally approximately HK\$10.6 million outstanding loan receivable as of 30 September 2019, such loan receivable level has been maintained by the Group for the 6 months period under review. However, since there were minor delay in repayment from borrowers, it was assessed that there were expected credit loss amounting to approximately HK\$880,000. As a result, even though the total interest income generated from the business was approximately HK\$643,000 (2018: approximately HK\$610,000), there were net loss for the segment amounting to approximately HK\$477,000 (2018: net profit of approximately HK\$480,000). The interest charge was range from 10% to 12% per annum. Nevertheless, we have already taken necessary measures to ensure the borrower will strictly adhere to the agreed repayment schedule subsequent to the period end. 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.

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	Approximate amount of net proceeds utilised up to 30 September 2019	Approximate amount of net proceeds unutilised up to 30 September 2019
	(HK\$ in million)	(HK\$ in million)	(HK\$ in million)
Participate in overseas trade fairs	3.2	3.2	-
Production design, research and development and hire of new designer	2.4	2.4	-
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2	1.3	0.7
Construct new production facility	4.6	-	4.6
General working capital	1.2	1.2	-
Total	13.4	8.1	5.3

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 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 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$44.80 million. Approximately HK\$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK\$24.2 million was used for general working capital purpose.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

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

As at 30 September 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 Tian Cheng Ventures Limited under the SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

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

Note:

1. Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Corsello Investments Limited is wholly owned by Mr. Chang Tin Duk, Victor. And, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Chang Tin Duk, Victor and Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO.
2. Ms. Lai Yongmei, the spouse of Mr. Qin Yuquan, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Qin Yuquan is interested for the purpose of the SFO.
3. Ms. Tong Shing Ann, Sharon, the spouse of Mr. Chang Tin Duk, Victor, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Chang Tin Duk, Victor is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 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.

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 September 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 September 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 Mr. Li Siu Yui. Mr. Chan Chun Wing is the chairman of the Audit Committee.

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

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

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 30 September 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 November 2019

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