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EJE (HONG KONG) HOLDINGS LIMITED

壹家壹品 (香港) 控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8101)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, 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 announcement 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 announcement misleading.*

** For identification purpose only*

The Board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2020 (the “**Reporting Year**”), together with the comparative figures for the corresponding periods in 2019, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2020

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Restated)</i> |
|---|--------------|--------------------------------|--|
| Continuing operations | | | |
| Revenue | 4 | 140,464 | 130,308 |
| Cost of sales | | (85,264) | (88,837) |
| Gross profit | | 55,200 | 41,471 |
| Other income | 5 | 2,905 | 1,675 |
| Selling and distribution expenses | | (12,104) | (6,112) |
| Administrative expenses | | (36,519) | (42,386) |
| Research expenses | | (4,618) | (4,857) |
| Impairment loss recognised on trade and other receivables | | (7,034) | (115) |
| Impairment loss recognised on loan receivables | | (3,001) | (258) |
| Impairment loss recognised in respect of goodwill | | (72,757) | — |
| Unrealised loss on financial assets at fair value through profit or loss | | (3,953) | (1,733) |
| Realised gain/(loss) on financial assets at fair value through profit or loss | | 5,350 | (396) |
| Gain on fair value change of promissory note | | 188,641 | — |
| (Loss)/gain on fair value change of investment properties | | (19,900) | 10,200 |
| Share of results of associates | | (1,201) | (201) |
| Finance costs | 6 | (28,218) | (4,718) |
| Profit/(loss) before income tax | 7 | 62,791 | (7,430) |
| Income tax (expenses)/credit | 8 | (912) | 6,817 |
| Profit/(loss) for the year from continuing operations | | 61,879 | (613) |
| Discontinued operation | | | |
| Profit/(loss) for the year from discontinued operation | 10 | 21,505 | (11,039) |
| Profit/(loss) for the year attributable to the owners of the Company | | 83,384 | (11,652) |
| Other comprehensive (expenses)/income that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation of financial statement of foreign operations | | (4,210) | (1,683) |
| Reclassification adjustment relating to foreign operation deregistered during the year | | 1,110 | — |
| | | (3,100) | (1,683) |
| Total comprehensive income/(loss) for the year attributable to owners of the Company | | 80,284 | (13,335) |

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Restated)</i> |
|--|--------------|--------------------------------|--|
| Earnings/(loss) per share | <i>10</i> | | |
| From continuing and discontinued operations | | | |
| — Basic (HK cents) | | 2.88 | (0.40) |
| — Diluted (HK cents) | | 1.81 | (0.40) |
| | | <u><u> </u></u> | <u><u> </u></u> |
| From continuing operations | | | |
| — Basic (HK cents) | | 2.14 | (0.02) |
| — Diluted (HK cents) | | 1.37 | (0.02) |
| | | <u><u> </u></u> | <u><u> </u></u> |
| From discontinued operation | | | |
| — Basic (HK cents) | | 0.74 | (0.38) |
| — Diluted (HK cents) | | 0.44 | (0.38) |
| | | <u><u> </u></u> | <u><u> </u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | | 2020 | 2019 |
|---|-------|------------------|------------------|
| | Notes | HK\$'000 | HK\$'000 |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 12,696 | 18,641 |
| Right-of-use assets | | 75,180 | — |
| Investment properties | | 248,000 | 267,900 |
| Goodwill | | 192,500 | 135,488 |
| Intangible assets | | 173,962 | 59,122 |
| Interests in associates | | 10,585 | 10,286 |
| Prepayment | | — | 1,894 |
| | | <u>712,923</u> | <u>493,331</u> |
| Current assets | | | |
| Inventories | | 40,536 | 10,842 |
| Trade and other receivables | 11 | 133,723 | 77,208 |
| Loan receivables | | 14,568 | 10,309 |
| Financial assets at fair value through profit or loss | | 6,826 | 9,060 |
| Convertible bond receivable | | — | — |
| Pledged deposits | | 1,442 | — |
| Cash and bank balances | | 5,198 | 28,127 |
| | | <u>202,293</u> | <u>135,546</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 60,881 | 35,251 |
| Bank borrowings | 13 | 14,255 | 35,075 |
| Bank overdraft | | 19,459 | 8,554 |
| Lease liabilities | | 10,243 | — |
| Obligations under finance lease | | — | 3,398 |
| Convertible bonds | | 210,522 | 206,152 |
| Tax payables | | 15,260 | 5,123 |
| | | <u>330,620</u> | <u>293,553</u> |
| Net current liabilities | | <u>(128,327)</u> | <u>(158,007)</u> |
| Total assets less current liabilities | | <u>584,596</u> | <u>335,324</u> |

| | <i>Notes</i> | 2020 HK\$'000 | 2019 HK\$'000 |
|---------------------------------|--------------|--------------------------------|------------------|
| Non-current liabilities | | | |
| Bank Borrowings | <i>13</i> | 2,329 | — |
| Lease liabilities | | 61,720 | — |
| Obligations under finance lease | | — | 1,493 |
| Promissory note | | 77,897 | — |
| Deferred tax liabilities | | 49,276 | 20,741 |
| | | <hr/> | <hr/> |
| | | 191,222 | 22,234 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 393,374 | 313,090 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 72,300 | 72,300 |
| Reserves | | 321,074 | 240,790 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 393,374 | 313,090 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

| | Share capital HK\$'000 | Share premium HK\$'000 | Convertible bond reserve HK\$'000 | Share options reserve HK\$'000 | Translation reserve HK\$'000 | Accumulated losses HK\$'000 | Total equity HK\$'000 |
|--|------------------------------|------------------------------|--|---|------------------------------------|-----------------------------------|-----------------------------|
| At 1 April 2018 | 72,300 | 172,613 | 293,092 | 2,844 | 1,155 | (215,579) | 326,425 |
| Loss for the year | — | — | — | — | — | (11,652) | (11,652) |
| Other comprehensive expense | | | | | | | |
| Exchange differences arising on translation of financial statement of foreign operation | — | — | — | — | (1,683) | — | (1,683) |
| Total comprehensive loss for the year | — | — | — | — | (1,683) | (11,652) | (13,335) |
| At 31 March 2019 and at 1 April 2019 | 72,300 | 172,613 | 293,092 | 2,844 | (528) | (227,231) | 313,090 |
| Profit for the year | — | — | — | — | — | 83,384 | 83,384 |
| Other comprehensive (expense)/income | | | | | | | |
| Exchange differences arising on translation of financial statement of foreign operation | — | — | — | — | (4,210) | — | (4,210) |
| Reclassification adjustment relating to foreign operation deregistered during the year | — | — | — | — | 1,110 | — | 1,110 |
| Total comprehensive (loss)/income for the year | — | — | — | — | (3,100) | 83,384 | 80,284 |
| At 31 March 2020 | 72,300 | 172,613 | 293,092 | 2,844 | (3,628) | (143,847) | 393,374 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE 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 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; (ii) property investment; (iii) securities investment and (iv) money lending.

The consolidated financial statements for the year ended 31 March 2020 were approved by the board of directors on 26 June 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The 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**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) and by the Hong Kong Companies Ordinance.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss, investment properties and promissory note, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases* (since 1 April 2019) or HKAS 17 *Leases* (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation techniques is calibrated so that at initial recognition the result of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, details are set out in the annual report.

2.3 Functional and presentation currency

The 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.

2.4 Going concern

In preparing the consolidated financial statements, the directors considered the operations of the Group as a going concern notwithstanding that the Group’s current liabilities exceeded its current assets by approximately HK\$128,327,000 as at 31 March 2020.

This condition indicates the existence of material uncertainties which may cast significant doubt over the Group’s ability to continue as a going concern.

Notwithstanding the aforesaid condition, the consolidated financial statements 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 consolidated financial statements, after taking into consideration that the convertible bonds holder undertakes with the Company that they will convert the convertible bonds into ordinary shares of the Company and forgo their rights to request the Company to redeem the convertible bonds with the principal amount of HK\$212,000,000. If any outstanding principal amount remains unconverted upon maturity and there is no agreement achieved with the Company to extend such maturity date, the convertible bonds holder will not demand payment from the Company within the next twelve months from the date of the approval of the consolidated financial statements.

Based on the above arrangement, the directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements 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 consolidated financial statements 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 consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

(a) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRS 2015-2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contain a lease.

As a lessee

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) Elect not to recognise right-of-use assets and lease liabilities for leases with lease term end within 12 months of the date of initial application; and
- (ii) Excluded initial direct costs from measuring the right-of-use assets at the date of initial applications.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.58%.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

| | <i>HK\$'000</i> |
|--|-----------------|
| Operating lease commitments disclosed as at 31 March 2019 | 1,201 |
| Lease liabilities discounted at relevant incremental borrowing rates | 1,103 |
| Add: Obligations under finance lease recognised at 31 March 2019 | 4,891 |
| Less: Recognition exemption-short term lease | (18) |
| Lease liabilities as at 1 April 2019 | <u>5,976</u> |

HK\$'000

| | |
|--------------|-------------|
| Analysed as: | |
| Current | 3,475 |
| Non-current | 2,501 |
| | <hr/> |
| | 5,976 |
| | <hr/> <hr/> |

HK\$'000

| | |
|---|-------------|
| Right-of-use assets relating to operating lease recognised upon application of HKFRS 16 | 1,085 |
| Reclassifications of assets previously under finance leases Included in property, plant and equipment under HKAS 17 (<i>Note (a)</i>) | 8,063 |
| Adjustment on rental deposits at 1 April 2019 (<i>Note (b)</i>) | 13 |
| | <hr/> |
| Right-of-use assets as at 1 April 2019 | 9,161 |
| | <hr/> <hr/> |

Notes:

- (a) In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$8,063,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance lease of HK\$3,398,000 and HK\$1,493,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$13,000 was adjusted to right-of-use assets.

As a lessor

In accordance with the transitional provision of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted for as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under other payables, accruals and deposits received.

Effective 1 April 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

Sales and leaseback transactions

The Group as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirement of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year, the Group entered into sale and leaseback transaction in relation to certain plant and machinery and the transaction does not satisfy the requirements as a sale. Accordingly, the Group accounts for the transfer proceeds of approximately HK\$6,577,000 as lease liabilities within the scope of HKFRS 9.

Transition to HKFRS 16 does not have an impact on accumulated losses at 1 April 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line Items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i> | Adjustments <i>HK\$'000</i> | Reclassification <i>HK\$'000</i> | Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i> |
|---------------------------------|---|--------------------------------|-------------------------------------|---|
| Non-current assets | | | | |
| Property, plant and equipment | 18,641 | — | (8,063) | 10,578 |
| Right-of-use assets | — | 1,098 | 8,063 | 9,161 |
| Current assets | | | | |
| Trade and other receivables | 77,208 | (13) | — | 77,195 |
| Current liabilities | | | | |
| Lease liabilities | — | 77 | 3,398 | 3,475 |
| Obligations under finance lease | 3,398 | — | (3,398) | — |
| Non-current liabilities | | | | |
| Lease liabilities | — | 1,008 | 1,493 | 2,501 |
| Obligations under finance lease | 1,493 | — | (1,493) | — |

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| HKFRS 17 | Insurance Contracts ⁴ |
| Amendments to HKFRS 3 | Definition of a Business ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵ |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions ³ |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ¹ |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform ¹ |

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 June 2020.

⁴ Effective for annual periods beginning on or after 1 January 2021.

⁵ Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT REPORTING

Information reported by the chief operating decision maker (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

The Group principally operates in four reportable segments, which are:

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

Upon deregistration of a subsidiary, the Group discontinued the mattress and soft bed products operation. The segment information reported below does not include any amounts of discontinued operation.

Segment revenue and segment result

Information regarding the Group's reportable operating segments including the reconciliations to profit/(loss) for the year from continuing operations are as follows:

For the year ended 31 March 2020

| | Custom-made furniture <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Other <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---|-------------------------------------|--------------------------|--------------------------|
| Continuing operations | | | | | | |
| Reportable segment revenue | 133,630 | 5,800 | — | 1,034 | — | 140,464 |
| Reportable segment (loss)/profit | (66,924) | 2,980 | (1,134) | (2,398) | (433) | (67,909) |
| Gain on fair value charge of promissory note | | | | | | 188,641 |
| Loss on fair value change of investment properties | | | | | | (19,900) |
| Share of result of associates | | | | | | (1,201) |
| Unallocated corporate expenses | | | | | | (37,752) |
| Profit for the year from continuing operations | | | | | | <u>61,879</u> |

For the year ended 31 March 2019

| | Custom-made furniture <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Other <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---|-------------------------------------|--------------------------|--------------------------|
| Continuing operations | | | | | | |
| Reportable segment revenue | 123,471 | 5,496 | — | 1,220 | 121 | 130,308 |
| Reportable segment profit/(loss) | 3,770 | 1,185 | (3,563) | 698 | (497) | 1,593 |
| Fair value gain on investment properties | | | | | | 10,200 |
| Share of result of associates | | | | | | (201) |
| Unallocated corporate income and expenses | | | | | | (12,205) |
| Loss for the year from continuing operations | | | | | | <u>(613)</u> |

Reportable segment revenue represents revenue from external customers. The disaggregation of revenue from contracts with customers are as follows:

| | 2020 | 2019 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | |
| Revenue from contracts with customers, represent sales | | |
| of custom-made furniture | 133,630 | 123,471 |
| Operating lease rental income | 5,800 | 5,496 |
| Loan interest income under effective interest method | 1,034 | 1,220 |
| Others | — | 121 |
| | <hr/> | <hr/> |
| Total revenue | 140,464 | 130,308 |
| | <hr/> <hr/> | <hr/> <hr/> |

All of the Group's revenue from contracts with customers are recognised at a point in time.

The Group's operating lease rental income represents lease payment that are fixed rate from the lessees.

Segment assets and liabilities

Information regarding the Group's reportable segments assets and liabilities are as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Reportable segment assets: | | |
| — Custom-made furniture | 621,746 | 263,782 |
| — Property Investment | 253,601 | 277,147 |
| — Securities Investment | 9,687 | 28,591 |
| — Money lending | 17,322 | 18,430 |
| — Other | — | — |
| — Assets relating to discontinued operation | — | 20,608 |
| | <hr/> | <hr/> |
| Segment assets | 902,356 | 608,558 |
| Interests in associates | 10,585 | 10,286 |
| Unallocated cash and bank balances | 381 | 378 |
| Other unallocated corporate assets | 1,894 | 9,655 |
| | <hr/> | <hr/> |
| Total assets | 915,216 | 628,877 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Reportable segment liabilities: | | |
| — Custom-made furniture | 181,573 | 24,279 |
| — Property Investment | 8,701 | 1,904 |
| — Securities Investment | 2,890 | 11,444 |
| — Money lending | 600 | 182 |
| — Other | 200 | 200 |
| — Liabilities relating to discontinued operation | — | 6,453 |
| | <hr/> | <hr/> |
| Segment liabilities | 193,964 | 44,462 |
| Bank borrowings | 16,584 | 35,075 |
| Convertible bonds | 210,522 | 206,152 |
| Promissory note | 77,897 | — |
| Other unallocated corporate liabilities | 22,875 | 30,098 |
| | <hr/> | <hr/> |
| Total liabilities | 521,842 | 315,787 |
| | <hr/> <hr/> | <hr/> <hr/> |

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 March 2020

| | Custom-made furniture <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Others <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---|-------------------------------------|---------------------------|--------------------------------|--------------------------|
| Other segment information: | | | | | | | |
| Interest income | (34) | — | (37) | — | — | (4) | (75) |
| Finance costs | 4,124 | — | — | 20 | — | 24,074 | 28,218 |
| Amortisation of intangible assets | 6,521 | — | — | — | 433 | — | 6,954 |
| Depreciation of property, plant and equipment | 3,279 | 1,290 | — | — | — | — | 4,569 |
| Depreciation of right-of-use assets | 7,401 | — | — | — | — | — | 7,401 |
| Unrealised loss on financial assets at fair value through profit or loss | — | — | 3,953 | — | — | — | 3,953 |
| Realised gain on financial assets at fair value through profit or loss | — | — | (5,350) | — | — | — | (5,350) |
| Impairment loss recognised on trade and other receivables | 6,791 | 243 | — | — | — | — | 7,034 |
| Impairment loss recognised on loan receivables | — | — | — | 3,001 | — | — | 3,001 |
| Impairment loss recognised in respect of goodwill | 72,757 | — | — | — | — | — | 72,757 |
| Research expenses | 4,618 | — | — | — | — | — | 4,618 |
| Income tax expenses/(credit) | 773 | 315 | (283) | 107 | — | — | 912 |
| Additions to non-current assets <i>(Note)</i> | 333,084 | — | — | — | — | — | 333,084 |

For the year ended 31 March 2019

| | Custom-made furniture <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Others <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---|-------------------------------------|---------------------------|--------------------------------|--------------------------|
| Other segment information: | | | | | | | |
| Interest income | (2) | (436) | — | — | — | — | (438) |
| Finance costs | 259 | 179 | — | — | — | 4,280 | 4,718 |
| Amortisation of intangible assets | 16,843 | — | — | — | 434 | — | 17,277 |
| Depreciation of property, plant and equipment | 2,029 | 1,290 | — | — | — | — | 3,319 |
| Unrealised loss on financial assets at fair value through profit or loss | — | — | 1,733 | — | — | — | 1,733 |
| Realised loss on disposal of financial assets at fair value through profit or loss | — | — | 396 | — | — | — | 396 |
| Impairment loss recognised on trade receivables | 115 | — | — | — | — | — | 115 |
| Impairment loss recognised on loan receivables | — | — | — | 258 | — | — | 258 |
| Research expenses | 4,857 | — | — | — | — | — | 4,857 |
| Income tax (credit)/expenses | (2,097) | (3,436) | (1,473) | 189 | — | — | (6,817) |
| Additions to non-current assets (<i>Note</i>) | 4,045 | — | — | — | — | — | 4,045 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Note: Addition to non-current assets exclude financial instruments.

Geographic information

The Group's operations are located in Hong Kong and the People's Public of China (the "PRC").

The following table provides an analysis of the Group's revenue from external customers and the Group's non-current assets based on the geographical location of the customers or the assets.

| | Revenue from external customers | | Non-current assets (<i>Note</i>) | |
|-------------------------------|------------------------------------|-------------------------|------------------------------------|-------------------------|
| | For the year ended 31 March | | At 31 March | |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| The PRC (country of domicile) | 133,630 | 123,425 | 450,318 | 210,237 |
| Hong Kong | 6,834 | 6,883 | 262,605 | 283,094 |
| | <u>140,464</u> | <u>130,308</u> | <u>712,923</u> | <u>493,331</u> |

Note: Non-current assets exclude financial instruments.

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:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Customer A | 15,020 | 34,265 |
| Customer B (<i>Note</i>) | N/A | 14,336 |
| Customer C (<i>Note</i>) | 16,561 | N/A |
| | <u>16,561</u> | <u>14,336</u> |

Note: The corresponding revenue did not contribute over 10% of the Group's revenue from continuing operations.

Except as disclosed above, no other customers contributed 10% or more of the Group's revenue from continuing operations for both years.

5. OTHER INCOME

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Restated)</i> |
|---|-------------------------|--|
| Continuing operations | | |
| Interest income | 75 | 438 |
| Government grants | 2,766 | 472 |
| Gain on disposal of property, plant and equipment | — | 107 |
| Sundry income | 64 | 658 |
| | <hr/> | <hr/> |
| | 2,905 | 1,675 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. FINANCE COSTS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Restated)</i> |
|---------------------------------------|-------------------------|--|
| Continuing operations | | |
| Interest on bank and other borrowings | 319 | 2 |
| Interest on bank overdraft | 608 | 179 |
| Interest on lease liabilities | 3,826 | — |
| Interest on finance leases | — | 257 |
| Interest on convertible bonds | 4,370 | 4,280 |
| Interest on promissory note | 19,095 | — |
| | <hr/> | <hr/> |
| | 28,218 | 4,718 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Restated)</i> |
|---|-------------------------|--|
| Continuing operations | | |
| Auditor's remuneration for audit service | 800 | 700 |
| Cost of inventories recognised as expenses | 78,832 | 74,683 |
| Amortisation of intangible assets | 6,954 | 17,277 |
| Depreciation of property, plant and equipment | 4,569 | 3,319 |
| Depreciation of right-of-use assets | 7,401 | — |
| Operating lease charges on rented premises | — | 221 |
| Impairment loss recognised on trade and other receivables | 7,034 | 115 |
| Impairment loss recognised on loan receivables | 3,001 | 258 |
| Impairment loss recognised in respect of goodwill | 72,757 | — |
| Staff costs (including directors' remuneration): | | |
| — Salaries, allowance and benefits in kind | 14,298 | 12,667 |
| — Contribution to defined contribution plans | 2,909 | 1,267 |
| | <u>14,298</u> | <u>12,667</u> |

8. INCOME TAX EXPENSES/(CREDIT)

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> <i>(Restated)</i> |
|------------------------------|-------------------------|--|
| Continuing operations | | |
| Current tax — the PRC | 2,404 | 3,084 |
| Current tax — Hong Kong | 422 | (1,284) |
| Deferred tax | (1,914) | (8,617) |
| | <u>912</u> | <u>(6,817)</u> |
| Income tax expenses/(credit) | <u>912</u> | <u>(6,817)</u> |

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.

9. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 March 2020 nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. EARNINGS/(LOSS) PER SHARE

For continuing and discontinued operations

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Earnings/(loss) | | |
| Earnings/(loss) for the purpose of basic earnings/(loss) per share | 83,384 | (11,652) |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible bonds | <u>4,370</u> | <u>—</u> |
| Earnings/(loss) for the propose of diluted earnings/(loss) per share | <u>87,754</u> | <u>(11,652)</u> |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | 2,892,000 | 2,892,000 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 21,876 | — |
| Convertible bonds | <u>1,927,273</u> | <u>—</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | <u>4,841,149</u> | <u>2,892,000</u> |

As the Company's outstanding share options and convertible bonds where applicable had an anti-dilutive effect to the diluted loss per share calculation for the year ended 31 March 2019, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

For continuing operations

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Earnings/(loss) for the purpose of basic earnings/(loss) per share | 61,879 | (613) |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible bonds | <u>4,370</u> | <u>—</u> |
| Earnings/(loss) per for the purpose of diluted earnings/(loss) per share | <u>66,249</u> | <u>(613)</u> |

The denominator used for the purpose of basic and diluted earnings/(loss) per share is the same as those described above for the calculation of basic and diluted earnings/(loss) per share for continuing and discontinued operations.

During the year ended 31 March 2019, both basic and diluted loss per share are the same for continuing operations.

For discontinued operation

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share | <u>21,505</u> | <u>(11,039)</u> |

The denominator used for the purpose of basic and diluted earnings/(loss) per share is the same as those described above for the calculation of basic and diluted earnings/(loss) per share for continuing and discontinued operations.

During the year ended 31 March 2019, both basic and diluted loss per share are the same for discontinued operation.

11. TRADE AND OTHER RECEIVABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Trade receivables | 115,786 | 26,466 |
| Less: impairment allowance under expected credit loss | (9,412) | (7,963) |
| | <u>106,374</u> | <u>18,503</u> |
| Deposits paid | 966 | 295 |
| Other receivables | 24,353 | 26,645 |
| Prepayments | 2,030 | 33,659 |
| | <u>133,723</u> | <u>79,102</u> |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Analysed as: | | |
| Current | 133,723 | 77,208 |
| Non-current | — | 1,894 |
| | <u>133,723</u> | <u>79,102</u> |

Prepayment mainly represent the payment advance to suppliers in PRC as at 31 March 2020 and 2019.

The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date.

The Group does not hold any collateral as security or other credit enhancements over the trade receivables.

The aging analysis of trade receivables, net of allowance for credit losses, presented based on invoice date (or date of revenue recognition, if earlier) at the end of the reporting period is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0-90 days | 34,472 | 16,438 |
| 91-180 days | 35,290 | 59 |
| Over 180 days | 36,612 | 2,006 |
| | <u>106,374</u> | <u>18,503</u> |

12. TRADE AND OTHER PAYABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Trade payables | 41,954 | 10,025 |
| Accruals and other payables | 15,065 | 20,591 |
| Receipt in advance | 2,318 | 3,611 |
| Deferred income | 1,544 | 1,024 |
| | <u>60,881</u> | <u>35,251</u> |

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0-90 days | 6,318 | 5,637 |
| 91-180 days | 21,522 | 1,233 |
| Over 180 days | 14,114 | 3,155 |
| | <u>41,954</u> | <u>10,025</u> |

At 31 March 2020, included in accruals and other payables are amount of approximately HK\$2,901,000 (2019: nil), which was amount due to a director-Mr. Qin Yuquan. Such balance is unsecured, interest-free and repayable on demand.

Deferred income represent government subsidy of approximately HK\$1,038,000 (2019: HK\$1,024,000) received during the year ended 31 March 2020, for the cost of upgrading the existing production lines. The amount is treated as deferred income and shall be transferred to income over the useful lives of the relevant assets. As at 31 March 2020, amount of approximately HK\$1,544,000 (2019: HK\$1,024,000) remains to be amortised.

13. BANK BORROWINGS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Secured bank borrowings | <u>16,584</u> | <u>35,075</u> |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Carrying amount repayable: | | |
| Within one year | 14,255 | 35,075 |
| Within two to five years | <u>2,329</u> | <u>—</u> |
| | <u>16,584</u> | <u>35,075</u> |

As at 31 March 2020, the Group's bank borrowings were interest-bearing at fixed interest rate ranged from 4.65% to 5.2% (2019: at 5.49%) per annum.

At 31 March 2020, the Group's secured bank borrowings were secured by (i) the pledged deposit of approximately HK\$1,442,000, and (ii) personal and corporate guarantees provided by Mr. Qin Yuquan and certain wholly owned subsidiaries the Company.

At 31 March 2019, the Group's secured bank borrowing was secured by the property and legal representative of the Group's former subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2020 (2019: Nil).

BUSINESS REVIEW

Since the Company began to set foot in custom-made furniture business in China, we have acquired Pioneer One Investments Limited (Pioneer One) in 2017 which were licensed to operate custom-made furniture business under the brand name of “壹家壹品” (“**Yijia Yipin**”) in Southern China region for 5 years. The performance of the Group kept on improving ever since the acquisition. The custom-made furniture market in China also continue expanding and had consistently out perform the overall domestic furniture market in China. It proves the future of the furniture industry in China lies in this phenomenal custom-made business model. In May 2019, the Company further acquired Green Step to further expand our custom-made furniture business beyond Southern China region for the originally licensed 5 years duration.

The trade war between China and United States of America (“US”) started to over shadow the Chinese economy in early 2018, the conflict and its adverse effect paramount in the second half of 2019. Right after the acquisition of Green Step, the GDP growth rate of Chinese economy decelerated faster in fourth quarter of 2019 and reached its lowest growth rate of 6% since 1992. Nevertheless, profit generated from furniture industry in China still increased 10.8% year on year. Unfortunately, with regard to the custom-made furniture sector in China, its turnover for 2019 finally failed to maintain a not less than 20% growth rate record for the previous 7 years. The reasons for such a turnaround for the custom-made furniture business in China were somewhat complicated. And, we shall discuss this in later section. In response to such changes, the Company had deliberately slowed down capital investment and adopted more cautious approach to manage the credit risk from trade receivable. Nevertheless, the outbreak of COVID-19 in early 2020 had took everyone by surprise. Countries all over the world were locked down, trade and business activities were largely restricted and reduced. In China, factories were temporarily closed to control the spread of the pandemic. China’s GDP growth rate for the first quarter 2020 turned around to decrease by 6.8% year on year, and profit generated from furniture segment also dramatically decreased 67.5% year on year.

Our factory in China gradually resumed operation in mid-February 2020. That was one of the greatest challenge our management team have ever faced. Through multiple times of trial and error, we have come up with some innovative strategies to strive for greater competitive advantage in the market. Actually, the management knows that it is both true and inevitable that the pandemic will discourage and even stop people to come visit our franchise store in person. However, we did not see it as threat but an opportunity. As a matter of fact, the management team is well aware of the greatest limitation for custom-made furniture business model is that its sales would need to be carried out through physical channel. Customer has to visit a franchise store to see our products and to discuss the design and related matters with designer. And, design is really the key essence of the custom-made furniture. People are willing to pay premium for style and quality, and they need to interact with designer to make sure the design can really meet their needs. In that sense, such limitation is really a disadvantage when compare to the sales of ready-made furniture product which people can buy directly online when it is not convenience for customer to visit a physical store. In respond to such limitation, the Company has pioneered a “Designer X” platform, where customer can get help from panel of designers online. This became feasible only when there is an excellent software and system which can enhance customer’s overall buying experience. On the other hand, the Company also started to promote what we called “V store”, which is in effect a smaller franchise store that will leverage the places of other customers to display Company’s products. This will substantially reduce cost in setting up a new franchise store and hence encourage more people to join the franchise network to promote the brand name and the sales. Now, the management even push things to the limit by exploring the feasibility to introduce online direct sales model to line up designer with customer. Which interest partners can join the franchise without even setting up a franchise store and they can trade with customer directly through the online platform. Going forward, if online sales through the Company’s platform become popular, the Company would only maintain major flagship showroom and stores to allow customers to see and touch our products, but then customer can also get in touch with our franchise partners and designers through online platform. The sales and subsequent follow up work could simply done online. This will further reduce the cost and barrier of joining our franchise.

On the other hand, we have also notice a re-emerging importance for project sales. This was due to government’s ongoing policy to regulate the property developers in China. The latest trend is there would be further consolidation for the property developers in China to eliminate smaller and less efficient players. Those big players would be more willing to invest on premium quality furniture to compliment their property to meet the need of their new generation of customers. Even though the margin for project sales is normally lower, but it provides a relatively stable income source. Therefore, the Company will seek a balance development between our retail custom-made furniture business and project sales business with big property developers.

For the mattress and soft bed sales business, it had been stopped operation since May 2018. Following the deregistration of Guangzhou Xinyue which was principally engaged in mattress and soft bed products' sales business in March 2020, the Group has officially terminated the operation of this segment. As a result, net profit of approximately HK\$21.5 million was recognized from the discontinued operation. Such profit was mainly attributable to one off written off of trade and other payable approximately HK\$14.1 million.

There were four investment properties held by the Group as of 31 March 2020 with the total book cost of approximately HK\$205.5 million. The twelve months revenue of the segment increased by approximately HK\$304,000 from last year approximately HK\$5.5 million to this year approximately HK\$5.8 million. This was due to some originally vacant properties was subsequently being occupied as well as the increase of rental upon renewal with certain properties during the year. The net profit of the segment has also increased from approximately HK\$2.2 million of last year to approximately HK\$3.0 million of this year. Unfortunately, due to recent negative market sentiment in Hong Kong, the fair value to these investment properties decreased by approximately 7.4%, which resulted in fair value loss of approximately HK\$19.9 million.

Regarding to money lending business, the original loan receivable was amounting to approximately HK\$18.0 million as of 31 March 2020. However, due to the poor economic situation of Hong Kong over the last year and the outbreak of COVID-19, some borrowers were procrastinating the repayment of their loan. Which has caused an unfavorable expected credit loss of approximately HK\$3.0 million assessed by valuer. The interest charged to borrower was ranging from 10% to 12% per annum. The total interest income generated from the business was approximately HK\$1.0 million (2019: approximately HK\$1.2 million). And, net loss of the segment was approximately HK\$2.4 million (2019: approximately HK\$698,000), which was mainly attributable to the expected credit loss mentioned above. 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 12% per annum.

Securities investment segment has recorded loss of approximately HK\$1.1 million, representing approximately HK\$2.5 million improvement from last year loss of approximately HK\$3.6 million. The Group recorded fair value gain on financial assets at fair value through profit or loss approximately HK\$1.4 million for the year ended 31 March 2020 which included unrealised fair value loss of approximately HK\$4.0 million and realised gain of approximately HK\$5.4 million. These unrealised fair value losses were mainly attributable to the poor performance of the global as well as Hong Kong's securities market in the recent period.

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group held approximately HK\$6.83 million equity investments at fair value through profit or loss (2019: approximately HK\$9.06 million). Details of the significant investments are as follows:

| | Fair value Gain/(loss) <i>HK\$'000</i> | Market Values <i>HK\$'000</i> | Approximate percentage of equity investments at fair value through profit and loss % | Approximate percentage to the net assets % |
|---|--|-------------------------------------|--|--|
| Individual investment less than 1% of net assets the Group | (3,953) | 6,826 | 100% | 1.7% |

During the year, the Group disposed some of the investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$26.9 million and gain recognised for the year of approximately HK\$5.3 million.

Details of the transactions are as follows:

| | Stock code | Place of incorporation | Sales proceeds <i>HK\$'000</i> | Realised gain/(loss) <i>HK\$'000</i> |
|--|---------------|---------------------------|--------------------------------------|--|
| Ruicheng (China) Media Group Limited | 1640 | Cayman Islands | 4,411 | 2,397 |
| Orange Tour Cultural Holding Limited | 8627 | Cayman Islands | 4,141 | 3,261 |
| Investment with individual realised gain/(loss) less than HK\$1,000,000 | | | 18,353 | (308) |

FINANCIAL REVIEW

Turnover and Profit

The turnover of the Group for the year ended 31 March 2020 was approximately HK\$140.5 million, increased of approximately 7.8% as compared to the financial year of 2019. Even though the custom-made furniture segment did not perform very well due to the external factors that over shadow the economy in China, the underlying foundation of the custom-made furniture business was still resilient. Turnover contributed by Pioneer One which focused on retail franchise business for Southern China region was approximately HK\$93.1 million, which has decreased approximately 34.5% from last year. On the other hand, the turnover contributed by Green Step which focused on project sales and retail franchise business for other regions (i.e. other than Southern China region) was approximately HK\$40.5 million. It was significantly lower than the original forecast of HK\$319.7 million at the time of acquisition.

The reason for such particular weak performance of Green Step was because the Company has originally planned to increase capital investment for Green Step to seize market share by expanding franchise network quickly to penetrate other regions in China. Unfortunately, this plan was being interrupted by the unexpected poor economic climate in China for the second half of 2019. The turnover for the custom-made furniture industry in China decreased approximately by 3.5% for the year of 2019 year on year while the industry has recorded no less than 20% increase every year for the previous 7 years between 2012 and 2018. In view of the such uncertainty, the Company has temporarily put all capital investment plans in relation to the custom-made furniture business on hold.

The net loss attributable to the custom-made furniture segment was approximately HK\$66.9 million, decreased by approximately HK\$70.7 million from last year net profit of approximately HK\$3.8 million. This was mainly due to the Company had originally committed to expand its franchise network by acquiring Green Step but bumped into a double jeopardy of poor economic situation in China together with a totally unexpected pandemic of COVID-19.

The adverse market situation also has some other significant impact on the Company's profit. First of all, Vendor of the Green Step acquisition had to surrender approximately HK\$82.4 million principal of the promissory note to the Company to compensate for the shortfall on Green Step's financial results as against its original target performance as prescribed in the profit guarantee provided by Vendor. This was being recorded as an income from the fair value change of promissory note. However, on the other side of the same token, the goodwill resulted from the acquisition of Green Step would now need to be written down by approximately HK\$72.8 million to reflect the diminish of its business value due to a poorer outlook for Green Step's future expansion. The management anticipate that the full recovery of the custom-made furniture business might take place toward the second half of 2021. In the meantime, Green Step has to rely more on project sales which has lower profit margin. Nevertheless, due to the unlikelihood for Green Step being able to meet its target performance for 2021, the fair value of the profit guarantee provided by Vendor increased dramatically by HK\$93.4 million.

As a result, the net profit/(loss) for the Group improved from last year net loss of approximately HK\$11.7 million to this year net profit of approximately HK\$83.4 million and basic earnings per share amounted to HK\$2.88 cents for the year ended 31 March 2020 (2019: loss per share HK0.4 cents).

Administrative expenses

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 year ended 31 March 2020, the Group's administrative expenses decreased to approximately HK\$36.5 million compared to approximately HK\$42.4 million for the corresponding period of last year, representing a decrease of approximately 13.8%. The decrease was mainly attributable to the lockdown of the factory caused by COVID-19 outbreak.

Selling and distribution expenses

Selling and distribution expenses for year ended 31 March 2020 was approximately HK\$12.1 million comparing to approximately HK\$6.1 million in 2019, representing an increase of approximately 98.0%. Selling and distribution expenses of the Group increase mainly attributable to the Group had newly acquired Green Step during the year. The Group had originally planned to quickly expand the franchise network to beyond Southern China region, finance cost incurred to promote the brand name as well as recruiting franchisee to join the franchise network. Selling and distribution expenses comprises mainly of amortization for portrait right amounting to approximately HK\$9.2 million. This portrait right was paid to artists to endorse and promote the corporate brand name of Yijia Yipin.

Finance cost

Finance cost for the year ended 31 March 2020 was approximately HK\$28.2 million comparing to approximately HK\$4.7 million in 2019, representing a significant increase of approximately HK\$23.5 million. Finance cost's increase mainly attributable to the promissory note interest and imputed interest of approximately HK\$10.1 million and HK\$9.1 million respectively incurred in relation to the promissory note with face value of HK\$280 million being issued for the acquisition of Green Step. Other finance cost also include convertible bond interest of approximately HK\$4.3 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\$3.6 million.

Fair value gain on financial assets at fair value through profit or loss

As at 31 March 2020, the Group had financial assets at fair value through profit or loss of approximately HK\$6.8 million (2019: HK\$9.1 million). The Group recorded loss on financial assets at fair value through profit or gain approximately HK\$1.4 million during the Year (2019: loss of HK\$2.1 million).

Trade and other receivables

Trade and other receivables increased to approximately HK\$133.7 million as at 31 March 2020 from approximately HK\$77.2 million as at 31 March 2019. The increase was mainly attributable to the lock-down of factory due to COVID-19 outbreak. The pandemic had disrupted the normal cycle of both the inventory as well as trade receivable, especially for the project sales business. Nevertheless, after the factory re-opened in late February 2020, the production and various operation cycles were stabilized and gradually catching up as well. A clear improvement should be reflected in the results of the 1st quarter of 2020.

Trade and other payables

Trade and other payables also increased to approximately HK\$60.9 million as at 31 March 2020 from approximately HK\$35.3 million as at 31 March 2019. This was due to the same reasons in the trade and other receivable section.

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 <i>(HK\$ in million)</i> | Approximate amount of net proceeds utilised up to 31 March 2020 <i>(HK\$ in million)</i> | Approximate amount of net proceeds unutilised up to 31 March 2020 <i>(HK\$ in million)</i> |
|--|---|---|---|
| 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 | — |
| | <hr/> | <hr/> | <hr/> |
| Total | 13.4 | 8.1 | 5.3 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

The Group originally intended to utilise the net proceeds from the discontinued mattress and soft bed product sales segment for distributorship arrangement and construction of new production facility. However, due to the market situation had been unable to facilitate a right timing to implement these plans, the usage of the net proceeds from the discontinued mattress and soft bed product sales segment was changed to general working capital to pay off expenses incurred in the process of the deregistration of related subsidiaries of the segment. Set out below is the utilisation of the net proceeds up to the date of this announcement and the change of use of the unutilised net proceeds:

USE OF PROCEEDS FROM THE PLACING OF SHARES

| | Net proceeds (HK\$ in million) | Approximate amount of net proceeds utilised up to 31 March 2020 (HK\$ in million) | Approximate amount of net proceeds unutilised up to 31 March 2020 (HK\$ in million) | Revised allocation of Unutilised Net Proceeds up to 31 March 2020 (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 | — | 5.3 |
| Total | 13.4 | 8.1 | 5.3 | 5.3 |

As at 31 March 2020, 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.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2020, the Group maintained cash and cash equivalents amounting to HK\$5.2 million (2019: HK\$19.5 million). Total current assets increased from approximately HK\$155.2 million to approximately HK\$202.3 million in 2020. On the contrary, total current liabilities also decrease from approximately HK\$304.8 million in 2019 to approximately HK\$332.9 million in 2020. This has resulted in net current liabilities position for the current year end of approximately HK\$130.6 million (2019: net current assets HK\$158.0 million).

CAPITAL STRUCTURE

During the year under review, the capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

Our Group has foreign currency risks. Such risks mainly arise from the balance of assets and liabilities and transactions in currencies other than the respective functional currencies of our Company and its subsidiaries. Currently, the Group does not maintain any hedging policy with respect to these foreign currency risks.

GEARING RATIO

The gearing ratio calculated as total bank borrowings divided by total assets was approximately 1.81% (2019: 5.58%).

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant future plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group engaged a total of 231 employees (2019: 146). Total staff costs including Directors' remuneration for the financial year of 2020 amounted to approximately HK\$18.5 million (2019: HK\$14.4 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The share option scheme (the "**Scheme**") was adopted on 22 August 2014 to retain staff members who have made contributions to the success of the Group. During the year ended 31 March 2020, the Company has not grant any share options to any party (2019: Nil).

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. Being a furniture manufacturer in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. Regarding to the Company other business in Hong Kong, there are no specific environmental standards and/or requirements for conducting the Group's business in Hong Kong. The Group is aware of environmental protection and social responsibility as an enterprise citizen and promotes healthy work place.

During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group's Environmental, Social and Governance Report for the year ended 31 March 2020 will be published on the respective websites of the Stock Exchange and the Company on or before 14 August 2020.

Pension schemes

The employees of the Group's subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme or the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,500 (the "**Mandatory Contributions**"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the basic wages of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group.

Events after the reporting period

Up to date of this announcement, the Group had no significant events after the Reporting Period which needs to be disclosed.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 March 2020, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 March 2020, they had fully complied with the required standard of dealings and there was no event of non-compliance.

COMPETING INTERESTS

None of the Directors 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 Group and any other conflict of interest which any such person has or may have with the Group.

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 year ended 31 March 2020.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2020 and no material non-compliance issue has been identified.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 August 2020 and the notice of Annual General Meeting will be published and dispatched accordingly.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the Annual General Meeting, the Register of Members will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020, both days inclusive, during which no transfer of shares of the Company will be effected.

In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 August 2020.

CORPORATE GOVERNANCE

For the year ended 31 March 2020, the Group has complied with all code provisions in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 March 2020.

By order of the Board
EJE (Hong Kong) Holdings Limited
Chau Tsz Kong Alan
Executive Director

Hong Kong, 26 June 2020

As at the date of this announcement, the executive directors of the Company 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. Yiu Shung Kit.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.ejeliving.com>.