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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)

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE BOND

PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE BOND

On 3 July 2020 (after trading hours of Stock Exchange), the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding Convertible Bond for two years to the New Maturity Date of 1 August 2022, and the conversion period and the early redemption period of the Convertible Bond will accordingly be further extended for two years to 1 August 2022 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the outstanding Convertible Bond shall remain unchanged.

GEM LISTING RULES IMPLICATIONS

LIL, i.e. the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by Mr. Qin, an executive Director and chairman of the Board. Accordingly, the Bondholder is a connected person of the Company under the GEM Listing Rules and the Alteration constitutes a connected transaction of the Company which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will make an application to the Stock Exchange for the approval of the proposed Alteration pursuant to Rule 34.05 of the GEM Listing Rules.

** For identification purpose only*

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the proposed Alteration. TD King Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the proposed Alteration.

A circular containing, inter alia, (i) details of the Extension Deed; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Extension Deed and the transactions contemplated thereunder; (iii) a recommendation from the Independent Board Committee in relation to the Extension Deed and the transactions contemplated thereunder; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 20 July 2020.

INTRODUCTION

On 3 July 2020 (after trading hours of the Stock Exchange), the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding Convertible Bond for two years to the New Maturity Date of 1 August 2022, and the conversion period and the early redemption period of the Convertible Bond will accordingly be further extended for two years to 1 August 2022 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the outstanding Convertible Bond shall remain unchanged.

As at the date of this announcement, the Convertible Bond in the Principal Amount of HK\$212,000,000 remains outstanding and would mature on 1 August 2020.

BACKGROUND

References are made to (i) the Company's announcement dated 29 March 2017, (ii) the Company's circular dated 23 June 2017, and (iii) the Company's announcements dated 30 June 2017 and 1 August 2017 in relation to the major transaction concerning, among other things, the acquisition by URL (a direct wholly-owned subsidiary of the Company) from LIL of the entire issued share capital of Pioneer One Investments Limited and the related shareholder's loan at the consideration of HK\$212,000,000 (subject to adjustment) to be settled by the Company for and on behalf of URL by issuing to LIL the Convertible Bond of the same face value. The completion of such acquisition took place on 1 August 2017 and the Convertible Bond was issued to LIL on the same date.

As at the date of this announcement, the Convertible Bond remains outstanding in full and would mature and be repayable in full on 1 August 2020 pursuant to the terms and conditions of the Bond Certificate.

EXTENSION DEED

On 3 July 2020 (after trading hours of the Stock Exchange), the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding Convertible Bond for two years to the New Maturity Date of 1 August 2022, and the conversion period and early redemption period of the Convertible Bond will accordingly be further extended for two years to 1 August 2022 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the outstanding Convertible Bond shall remain unchanged.

LIL, i.e. the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by Mr. Qin, an executive Director and chairman of the Board. Accordingly, the Bondholder is a connected person of the Company under the GEM Listing Rules and the Alteration constitutes a connected transaction of the Company which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Conditions Precedent

The Extension Deed shall only become effective upon all the following conditions having been fulfilled:

- i. the approval of the Alteration as stipulated under the Extension Deed by the Stock Exchange;
- ii. the passing of an ordinary resolution to approve the Alteration as stipulated under the Extension Deed by the Independent Shareholders at the EGM to be held and convened to approve the Extension Deed and the transactions contemplated thereunder; and
- iii. all necessary consents and approvals required to be obtained on the part of the Company and the Bondholder in respect of the Alteration as stipulated under the Extension Deed.

In the event that the above conditions are not fulfilled by 30 September 2020 (or such later date as may be agreed by the Company and the Bondholder), the provisions of the Extension Deed shall become null and void. For the avoidance of doubt, the Convertible Bond shall remain valid and effective in accordance with its terms. The Extension Deed and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

The principal terms of the Convertible Bond after the Extension Deed becomes effective are as follows:

Outstanding Principal Amount: HK\$212,000,000.

Maturity date: 60 months after the issuance date of the Convertible Bond. (i.e. 1 August 2022)

Interest: The Convertible Bond will not bear any interest.

Conversion Price: HK\$0.11 per Conversion Share (subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bond).

Conversion Shares: On the basis of the Conversion Price of HK\$0.11 (subject to adjustments) per Conversion Share and a Principal Amount of HK\$212,000,000, a maximum of 1,927,272,727 Conversion Shares will be issued and allotted upon full conversion of the Convertible Bond, which represent:

- (i) approximately 66.64% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 39.99% of the issued share capital of the Company as enlarged by the issuance and allotment of the Conversion Shares upon full conversion of the Convertible Bond.

The Conversion Shares shall be allotted and issued under the Specific Mandate proposed to be sought at an EGM.

Conversion: No fraction of a Conversion Share shall be issued on conversion and no amount in lieu thereof shall be refunded. Any conversion shall be made in the amount of HK\$1,000,000 or the multiples thereof and if at any time, the Principal Amount shall be less than HK\$1,000,000, the whole (but not part only) of the Principal Amount shall be convertible.

The Company shall not allot and issue Conversion Shares to the holder(s) of the Convertible Bond or shall such holder(s) be permitted to exercise the Convertible Bond (or any part thereof) if upon such allotment and issue or exercise (as the case may be), such holder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 30% or more of the then issued share capital of the Company at the date of the relevant exercise, or be obliged to make a general offer under the Takeovers Code, or the public float of the Company be unable to meet the requirements under the GEM Listing Rules.

If the conversion of the Convertible Bond will result in the holder(s) of the Convertible Bond and parties acting in concert with it being interested in 30% or more of the issued share capital of the Company or be obliged to make a general offer under the Takeovers Code, or cause the public float of the Company be unable to meet the requirements under the GEM Listing Rules, the holder(s) may only exercise its right of conversion after disposing part of the Shares then held by it.

Conversion period:

Any time until the New Maturity Date

Conversion Price:

HK\$0.11 per Conversion Share (subject to adjustments as detailed below, provided that the Conversion Price shall not be less than the par value of the Shares).

The events which occurrence would result in adjustments for the Conversion Price include the following:

- (i) an alternation of the nominal value of the Share by reason of any consolidation or subdivision;
- (ii) an issue of Shares to all or substantially all Shareholders as a class by way of rights, or a grant of options or warrants to subscribe for or purchase any Shares (save for option schemes being an incentive scheme for the employees and/or the directors of URL and/or the Company), in each case at less than 85% of market price on the last dealing day preceding the date of announcement of the terms of the issue or grant;

- (iii) an issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all Shareholders as a class by way of rights, or a grant of options or warrants to subscribe for or purchase any securities;
- (iv) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (v) a modification of the rights of conversion, exchange or subscription attaching to any securities so that the consideration per Share is less than 80% of the market price on the date of announcement of the proposals for such modification; and
- (vi) where the Company and the holder(s) of the Convertible Bond consider that it would be appropriate for an adjustment to be made to the Conversion Price in the circumstances other than those referred to in (i) to (v) above.

As at the date of this announcement, the Company has not identified the occurrence of any event which may result in the adjustment for the Conversion Price. Further announcement will be made by the Company in accordance with the GEM Listing Rules if any event which will result in the adjustment for the Conversion Price occurs.

Early redemption at the request of the Bondholder or the transferee of the Convertible Bond:	From the 18th month after the date of issue of the Convertible Bond to the New Maturity Date, the holder(s) of the Convertible Bond shall have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and unsurrendered Convertible Bond of such Principal Amount as determined by the holder(s) of the Convertible Bond. To exercise such right, the holder(s) of the Convertible Bond must notify the Company in writing by giving the Early Redemption Notice, stating therein the amount of Principal Amount that shall be redeemed by the Company on the Early Redemption Date.
Ranking of the Conversion Shares:	The Conversion Shares shall rank <i>pari passu</i> in all respects with all other existing Shares at the date of allotment of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of allotment of the Conversion Shares.
Voting:	The holder(s) of the Convertible Bond shall not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it holding the Convertible Bond.
Transferability:	The Convertible Bond cannot be assigned or transferred to a connected person of the Company unless with the prior written consent of the Company.
Application for listing:	An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.
Save and except for the extension of the maturity date, the conversion period and the early redemption period of the Convertible Bond, all terms and conditions of the Convertible Bond remain unchanged.	

COMPARISON OF CONVERSION PRICE

The Conversion Price is HK\$0.11 per Convertible Share (subject to adjustments), which represents:

- (i) a premium of approximately 42.86% to the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on the date of the Extension Deed;
- (ii) a premium of approximately 42.49% to the average of the closing price per Share of approximately HK\$0.0772 for the last five consecutive trading days immediately prior to the date of the Extension Deed; and
- (iii) a premium of approximately 40.49% to the average of the closing price per Share of approximately HK\$0.0783 for the last ten consecutive trading days immediately prior to the date of the Extension Deed.

REASONS FOR AND BENEFITS OF THE ALTERATION

The principal activity of the Company is investment holding. The principal activities of the Group are (i) manufacture of custom-made furniture in the PRC; (ii) securities investment in Hong Kong; (iii) property investment in Hong Kong; and (iv) money lending in Hong Kong.

According to the annual report of the Company for the year ended 31 March 2020, the Group has recorded net current liabilities of approximately HK\$130.6 million. In addition, the cash and bank balances of the Group amounted to approximately HK\$5.2 million as at 31 March 2020. This means the Group would not have sufficient cash to redeem the outstanding Convertible Bond in the Principal Amount of HK\$212,000,000 at its Original Maturity Date, unless the Group could secure a substantial cash inflow during the period between the date of this announcement and the Original Maturity Date of the Convertible Bond. If the Company has to redeem the Convertible Bond at the Original Maturity Date, the Group would face severe liquidity and cash flow problems, which would pose a significant impact on the operations and future development of the Group. After taking into account the required working capital of the Group for the coming twelve months (including but not limited to general and administrative costs, tax payable, funds required for the Group's principal activities as set out above), as at the date of this announcement, the Board is of the view that the Company will not have enough cash to redeem the Convertible Bond in the next few months or within the forthcoming financial year. As such, the Alteration will enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position.

The Alteration will also allow the Company to have more financial flexibility. The Company considers that it is in the interests of the Company and its Independent Shareholders as a whole to utilise its resources for business development and other business opportunities in order to maximise returns to its Shareholders. As such, the Alteration will allow the Group to have additional time to develop its business instead of repaying the Convertible Bond within a relatively short period.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) considers that the terms and conditions of the Extension Deed are fair and reasonable and the Alteration is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

LIL, i.e. the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by Mr. Qin, an executive Director and chairman of the Board. Accordingly, the Bondholder is a connected person of the Company under the GEM Listing Rules and the Alteration constitutes a connected transaction of the Company which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will make an application to the Stock Exchange for the approval of the proposed Alteration pursuant to Rule 34.05 of the GEM Listing Rules.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company (i) as at the date of this announcement, and (ii) upon full conversion of the Convertible Bond in the Principal Amount of HK\$212,000,000 respectively, assuming there is no other change in the shareholding structure of the Company since the date of this announcement:

	As at the date of this announcement		Upon full conversion of the Convertible Bond	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Sau San Tong Holdings Limited	221,728,000	7.67	221,728,000	4.60
H N Group Limited	207,720,000	7.18	207,720,000	4.31
LIL	Nil	Nil	1,927,272,727	39.99
Other public Shareholders	2,462,552,000	85.15	2,462,552,000	51.10
Total	2,892,000,000	100.00	4,819,272,727	100.00

GENERAL

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the proposed Alteration. TD King Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the proposed Alteration.

A circular containing, inter alia, (i) details of the Extension Deed; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Extension Deed and the transactions contemplated thereunder; (iii) a recommendation from the Independent Board Committee in relation to the Extension Deed and the transactions contemplated thereunder; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 20 July 2020.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein.

“Alteration”	the proposed extension of the maturity date of the Convertible Bond for two years from the Original Maturity Date to the New Maturity Date, and, accordingly, the conversion period and the early redemption period of the Convertible Bond for two years
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	board of Directors
“Bond Certificate”	the bond certificate dated 1 August 2017 issued by the Company to LIL in relation to the Convertible Bond
“Business Day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours

“Company”	EJE (Hong Kong) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	HK\$0.11 per Conversion Share, subject to adjustments, pursuant to the terms and conditions of the Convertible Bond
“Conversion Shares”	new Shares to be allotted and issued by the Company upon conversion of the Convertible Bond
“Convertible Bond”	the zero coupon convertible bond in the Principal Amount of HK\$212,000,000 issued by the Company to the Bondholder on 1 August 2017
“Directors”	the directors of the Company
“Early Redemption Date”	the 30th Business Day after the Company’s receipt of the relevant Early Redemption Notice
“Early Redemption Notice”	the written notice to be given by LIL to the Company stating the amount of the Principal Amount that the Company is obliged to redeem from LIL on the Early Redemption Date
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, if thought fit, the Extension Deed and the transactions contemplated thereunder which include the Specific Mandate
“Extension Deed”	the deed of extension entered into by the Company and the Bondholder on 3 July 2020 to extend the Original Maturity Date of the Convertible Bond
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely, Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Yiu Shung Kit, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the resolutions in respect of the proposed Alteration
“Independent Financial Adviser” or “TD King Capital”	TD King Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Extension Deed and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Bondholder and its associates
“LIL” or “Bondholder”	Legendary Idea Limited, which is a company incorporated in the British Virgin Islands with limited liabilities
“Mr. Qin”	Mr. Qin Yuquan, an executive Director and chairman of the Board
“New Maturity Date”	the day of the 5th anniversary of the date of the issue of the Convertible Bond (i.e. 1 August 2022)
“Original Maturity Date”	the day of the 3rd anniversary of the date of the issue of the Convertible Bond (i.e. 1 August 2020)
“PRC”	The People’s Republic of China

“Principal Amount”	the outstanding principal amount of the unconverted, unredeemed and un-surrendered Convertible Bond
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Specific Mandate”	a specific mandate to be granted to the Directors in relation to the proposed allotment and issue of the Conversions Shares up to 1,927,272,727 Shares upon exercise of the conversion rights of the Convertible Bond in full, to be approved by the Shareholders at the EGM
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended from time to time
“URL”	Ultimate Rise Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 3 July 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>