THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **EJE (Hong Kong) Holdings Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR AND CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GREEN STEP INVESTMENTS LIMITED; PROPOSED RE-ELECTION OF DIRECTOR; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

Crescendo Capital Limited

Capitalised terms used herein have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A notice convening the EGM to be held at Room 01A, 23rd Floor., China Insurance Group Building, 141 Des Voeux Road Central, 61–65 Gilman Street and 73 Connaught Road Central, Hong Kong at 10:00 a.m. on 17 April 2019 is set out on pages EGM-1 to EGM-2 in this circular at which ordinary resolutions will be proposed to approve, among other things, the Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

This circular will remain on the GEM website at www.hkgem.com on the Latest Company Announcements page for at least 7 days from the date of its posting and on the website of the Company at http://www.ejeliving.com.

28 March 2019

CHARACTERISTICS OF GEM

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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2019 Actual Performance"	the Actual Performance of 2019 Performance Undertaking Year
"2019 Performance Target"	the target consolidated net profit after tax attributable to the shareholder of the Target Company of HK$23.3 million, (equivalent to approximately RMB20 million) for the financial year ended 31 March 2019 of the Target Group
"2019 Performance Undertaking Year"	the Performance Undertaking Year ending on 31 March 2019
"2019 Profit Adjustment"	the Profit Adjustment computed using the 2019 Performance Target and 2019 Actual Performance
"2020 Actual Performance"	the Actual Performance of 2020 Performance Undertaking Year
"2020 Performance Target"	the target consolidated net profit after tax attributable to the shareholder of the Target Company of HK$29.0 million (equivalent to approximately RMB25 million) for the financial year ended 31 March 2020 of the Target Group
"2020 Performance Undertaking Year"	the Performance Undertaking Year ending on 31 March 2020
"2020 Profit Adjustment"	the Profit Adjustment computed using the 2020 Performance Target and 2020 Actual Performance
"2021 Actual Performance"	the Actual Performance of 2021 Performance Undertaking Year
"2021 Performance Target"	the target consolidated net profit after tax attributable to the shareholder of the Target Company of HK$46.5 million (equivalent to approximately RMB40 million) for the financial year ended 31 March 2020 of the Target Group
"2021 Performance Undertaking Year"	the Performance Undertaking Year ending on 31 March 2021
"2021 Profit Adjustment"	the Profit Adjustment computed using the 2021 Performance Target and 2021 Actual Performance
"Acquisition"	the proposed acquisition of the Sale Shares from the Vendor pursuant to the Agreement

"Actual Performance"	the audited consolidated net profit after tax attributable to the shareholder of the Target Company of the Target Group under Hong Kong Accounting Standard for the relevant Performance Undertaking Year (for the avoidance of doubt, if the Target Group records net loss (after tax) for a Performance Undertaking Year, the Actual Performance shall be treated as zero for calculation of the relevant Profit Adjustment)
"Agreement"	the conditional sale and purchase agreement entered into on 22 January 2019 between the Purchaser and the Vendor for the Acquisition
"Board"	the board of Directors
"Business Day(s)"	a day on which licensed banks in Hong Kong is generally open for business (other than a Saturday or Sunday or public holiday in Hong Kong)
"BVI"	the British Virgin Islands
"Company"	EJE (Hong Kong) Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
"Completion"	completion of the Acquisition
"Completion Date"	the fifth business day after all the Condition Precedents are fulfilled or, if not yet fulfilled, waived by the Purchaser in accordance with the terms of the Agreement (or any other time as agreed by the Vendor and the Purchaser)
"Conditions Precedent"	the conditions precedent of the Agreement as set out under the paragraph headed "Conditions Precedent" in this circular
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Consideration"	the consideration of HK$280 million to be settled in accordance with the terms of the Agreement

"Crescendo Capital"	Crescendo Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to make recommendation to the Independent Board Committee and the independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the terms of the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Company (which will become wholly-owned subsidiary of the Company following completion of the Acquisition) and its subsidiaries, and "member(s) of the Enlarged Group" shall be construed accordingly
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"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 PRC
"Hong Kong Accounting Standard"	Hong Kong Financial Reporting Standard as amended from time to time by Hong Kong Institute of Certified Public Accountants
"Independent Board Committee"	the board committee established by the Company comprising all the independent non-executive Directors to advise the independent shareholders on the SPA and the transactions contemplated thereunder
"Latest Practicable Date"	26 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Long Stop Date"	30 June 2019 or such other date as the parties to the Agreement may agree
"Mr. Qin"	Mr. Qin Yuquan, an executive Director

"Performance Target"	as the context requires, an audited consolidated net profit (after tax) of the Target Group reported for the respective Performance Undertaking Years in accordance with Hong Kong Accounting Standard
"Performance Undertaking Year"	as the context requires, the financial years ending on 31 March 2019, 31 March 2020 and 31 March 2021 respectively of the Target Group
"PRC"	the People's Republic of China
"Profit Adjustment"	(only applicable when the Actual Performance of any Performance Undertaking Year is lower than the corresponding Performance Target of the same year) calculated as follow:

$$\text{HK\$280 million} \times \frac{\text{(Performance Target of a particular Performance Undertaking Year} - \text{Actual Performance of the same year)}}{\text{(2019 Performance Target + 2020 Performance Target + 2021 Performance Target)}}$$

"Promissory Note"	the promissory note in the principal amount of HK$280 million, to be issued by the Purchaser in favour of the Vendor to satisfy part of the Consideration
"Purchaser"	Ultimate Rise Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"RMB"	Renminbi, the designated legal currency of the PRC from time to time
"Sale Shares"	the entire equity interest of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	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

"Target Company"	Green Step Investments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Vendor
"Target Group"	the Target Company and its subsidiaries
"Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Vendor"	Legendary Idea Limited, a company incorporated in the BVI with limited liability
"%"	per cent

For the purpose of this circular, unless otherwise stated, all amounts in RMB are translated into HK$ at an exchange rate of HK$1 = RMB0.86. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

* *For identification purpose only*

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)

Executive Directors:
Mr. Qin Yuquan *(Chairman)*
Mr. Hung Cho Sing
Mr. Matthew Chung
Mr. Chau Tsz Kong Alan

Independent non-executive Directors:
Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Li Siu Yui

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 01, 23rd Floor
China Insurance Group Building
141 Des Voeux Road Central
61–65 Gilman Street and
73 Connaught Road Central
Hong Kong

28 March 2019

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GREEN STEP INVESTMENTS LIMITED; PROPOSED RE-ELECTION OF DIRECTOR; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 22 January 2019 in relation to the acquisition of the entire issued shares capital of the Target Company.

The Board is pleased to announce that on 22 January 2019 (after trading hours), the Purchaser and the Vendor, entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of HK$280 million.

The purposes of this circular is to provide you with, among other matters, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee in respect of the Acquisition; (iii) the advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the Acquisition; (iv) more information of the Director proposed for re-election; and (v) the notice of the EGM together with the proxy form.

PRINCIPAL TERMS OF THE AGREEMENT AND THE ACQUISITION

Date	:	22 January 2019 (after trading hours)
Parties	:	(1) The Vendor (as vendor); and
		(2) The Purchaser (as purchaser).

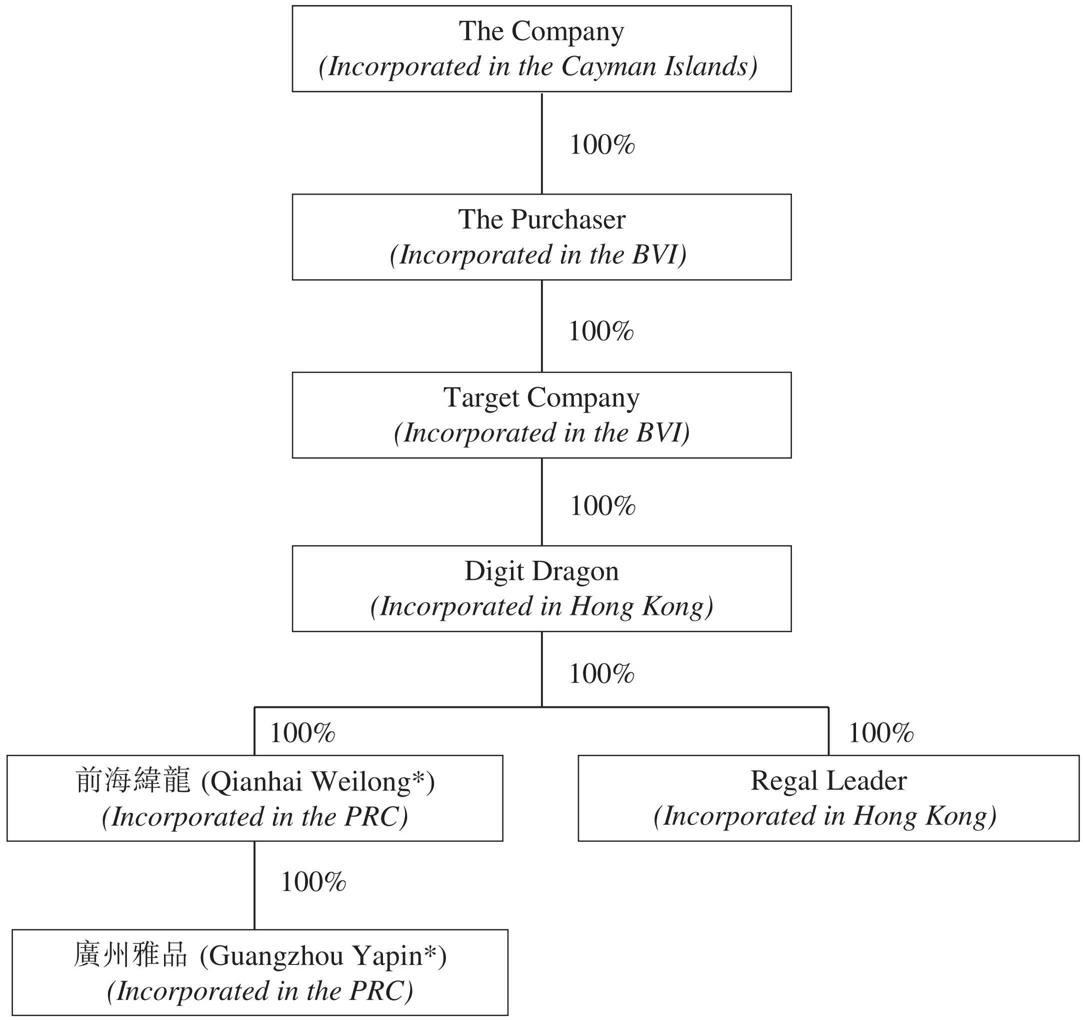
Mr. Qin is one of the Directors, and therefore Mr. Qin is a connected person of the Company. Given that the Vendor is indirectly owned as to 50% by Mr. Qin, the Vendor is an associate of Mr. Qin. Therefore, Mr. Qin is deemed to have a material interest in the Acquisition and transactions contemplated under the Agreement, and has abstained from voting on the relevant Board resolution. Save for Mr. Qin, none of the other Directors of the Company has or is deemed to have a material interest in the Acquisition.

Subject matter of the Agreement

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing all the issued shares of the Target Company.

As at the Latest Practicable Date, the Target Company held the entire issued share capital in Digit Dragon Limited ("**Digit Dragon**"), which in turn held the entire equity interest in (i) 深圳市前海緯龍科技有限公司 (transliterated as Shenzhen Qianhai Weilong Technology Limited Company*) ("**Qianhai Weilong**"), a company established in the PRC, which then in turn held the entire equity interest in 廣州雅品家具科技有限公司 (transliterated as Guangzhou Yapin Furniture Technology Limited Company*) ("**Guangzhou Yapin**"), a company established in the PRC; and (ii) Regal Leader (Hong Kong) Limited ("**Regal Leader**"), a company established in Hong Kong.

Shareholding structure after the Acquisition



Consideration

The Consideration of the Sale Shares is HK$280 million which shall be settled by way of issuing the Promissory Note by the Company to the Vendor on the Completion Date.

For details of the Promissory Note, please refer to the section headed "Principal Terms of the Promissory Note" below.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account, among others, (i) the valuation of Guangzhou Yapin of HK$281,200,000 as at 30 November 2018 according to the preliminary valuation report prepared by the Valuer based on market approach; (ii) the operating performance of the Target Group; (iii) the business prospect of the Target Group; and (iv) the profit guarantee to be provided by the Vendor as set out in the section headed "Profit Guarantee" below.

With respect to the valuation of Guangzhou Yapin, the Directors have discussed with the Valuer the valuation result and assumptions and methodology adopted. In particular the adoption of the control premium, the sample size in the reports is sufficiently large, and the recentness of the reports and the publisher are well recognized in the field. Therefore, the Directors consider that the control premium adopted in the valuation of Guangzhou Yapin is fair and reasonable. For further details of the valuation, please refer to the Appendix V to this circular.

It is expected that the settlement of the Promissory Note will be funded by internal resources and external borrowing. The Board expects the scale of the existing custom-made furniture of the Group will expand significantly which would result in substantial improvement on its financial results and cash inflow level during the term of the Promissory Note. In addition, after the Completion, it is expected that synergies and economies of scale to be achieved after consolidating the business of the Target Group into the Group would enable the Enlarged Group to attain cost saving and improved efficiency. Moreover, the Group has considered to obtain mortgage loan, which is longer term in nature, by pledging its existing investment properties as and when necessary. Furthermore, the Group may conduct fund raising when the market sentiment is appropriate and the financial performance of the Group has significantly improved. In view of the above, the Directors are of the view that the Group has sufficient resources to settle the Promissory Note before its expiry date.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied or waived in accordance with the Agreement:

(a) the Purchaser and/or its financial and legal advisers completed the due diligence investigations on the business, legal and financial aspects of the Target Group to the satisfaction of the Company at its discretion;

(b) the Purchaser (and/or the Company) having obtained all necessary approvals, authorisations, consents and permits from the Stock Exchange and relevant authorities (including but not limited to the unconditional approval for the listing of, and permission to deal in, the Shares from the Listing Committee of the Stock Exchange and such approvals, authorisations, consents and permits have not been revoked or withdrawn);

(c) the Purchaser (and/or the Company) having obtained a valuation report issued by the Valuer showing the valuation of Guangzhou Yapin is not less than HK$280,000,000 as at 30 November 2018; such report shall be in form and substance satisfactory to the Purchaser and/or the Company;

(d) having obtained the agreements, consents, authorisations, permits and any other forms of approval that may be necessary pursuant to any existing or prospective contractual arrangements of the Target Group, the Vendor and/or the shareholders of the Vendor for Completion;

(e) having obtained all necessary consents, authorisations, and permits or any other forms of approval required by statutory, governmental or regulatory authorities or the GEM Listing Rules, and having fulfilled all legal requirements that the Target Group, the Vendor and/or the shareholders of the Vendor may be required to comply with, for Completion;

(f) all the aspects for the Acquisition are and shall remain true, accurate, correct and complete and not be misleading in all respects up to Completion; and

(g) the Company having fulfilled its obligations under the GEM Listing Rules, including but not limited to obtaining approval from the Shareholders for the Acquisition and Consideration contemplated by the Agreement.

The Vendor shall use its best endeavour to ensure that the Conditions Precedent set out above to be fulfilled as soon as possible and to the satisfaction of the Purchaser.

As at the Latest Practicable Date, no party has any intention to amend the Agreement and neither does the Purchaser have the intention to waive any Conditions Precedent. However, the Purchaser does not exclude the possibility of amending the Agreement and waiving the relevant Conditions Precedent should unexpected and unforeseeable factors, events, and circumstance necessitate, which refers to the abovementioned Conditions Precedent (a) and (c). As at the Latest Practicable Date, the Purchaser is satisfied with the results of the due diligence investigation on the Target Group and the Conditions Precedent (c) has been fulfilled, therefore the Purchaser has no intention to waive any of the Conditions Precedents or amend any terms of the Agreement.

If any of the above conditions is not fulfilled (or waived by the Purchaser as appropriate) on or before the Long Stop Date, the Agreement shall become void and of no further effect, except for (i) the clauses in the Agreement regarding the definitions and interpretations of terms therein, the Long Stop Date, confidentiality, notice, expenses and governing jurisdiction and (ii) all the accrued rights, obligations or responsibilities of the parties shall not be affected.

Completion

Completion shall take place on Completion Date, subject to all the Conditions Precedent being satisfied or otherwise waived by the Purchaser in accordance with the Agreement. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated with the results of the Group.

Principal Terms of the Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer

The Purchaser

Principal amount

HK$280 million, which is subject to the Profit Adjustment

Interest

(i) 4% per annum before (and excluding) the third anniversary date of the issue date of the Promissory Note (the "**Note Issue Date**"); and

(ii) 7% per annum after (and including) the third anniversary date of the Note Issue Date.

The interest payable shall be calculated on a pro rata basis based on the number of days between the Note Issue Date and the date of any repayments made by the Purchaser.

The interest rates were arrived upon arm's length negotiations between the Purchaser and the Vendor having taken into account (i) the prevailing market interest rates; and (ii) the interest rate quote from independent financial institution for the similar terms of the Promissory Notes. The independent financial institution offered the Group a 7% seven years loan amounting to HK$150,000,000 which the Group will be required to pledge a property as security upon drawdown of the loan.

Maturity

Five years from the Note Issue Date.

Redemption

The Purchaser may repay or redeem all or part of the amount prior to the maturity date of the Promissory Note with no premium or penalty is required. The Purchaser is required to pay the relevant interest incurred when repaying or redeeming all or part of the Promissory Note.

Profit Guarantee

Pursuant to the Agreement, the Vendor irrevocably warrants and guarantees that:

(a) the 2019 Actual Performance shall be not less than RMB20,000,000;

(b) the 2020 Actual Performance shall be not less than RMB25,000,000; and

(c) the 2021 Actual Performance shall be not less than RMB40,000,000.

The 2019 Performance Target was determined by combining the net profit of the Target Group for the eight months ended 30 November 2018 and the estimated results of the Target Group for the four months ending 31 March 2019. The estimated results were projected based on the sales contracts on hand and the delivery schedule of the Target Group's products. The increase in 2020 Performance Target and 2021 Performance Target is expected to attribute from (i) the business plan of the Target Group (as discussed in the below paragraph headed "Information of the Target Group"); (ii) the further development of the Target Group's sales network and brand building which lead to increase in revenue attributed to the wholesale and retail segments; and (iii) the decrease in cost owing to economies of scale upon Completion. In particular, the significant increase of 60% in the 2021 Performance Target of RMB40,000,000 from the 2020 Performance Target of RMB25,000,000 is mainly due to (i) the sustainable expansion of the business scale with the existing wholesale customers and new wholesale customers; (ii) the increase in retail revenue due to continuous expansion of the retail sales network; and (iii) improved profit margin as a result of economics of scale after Completion.

The Performance Target, representing the estimated net profit attributable to the owners of the Target Company, will include any one-off/non-recurring profit derived outside the Target Group's ordinary and usual course of business. In view that all assets of the Target Group are related to its custom-made furniture business and the Target Group does not plan to conduct activities outside the Target Group's ordinary and usual course of business, it is expected that the Target Group is unlikely to record any material one-off/non-recurring profit or loss outside the Target Group's ordinary and usual course of business during the Performance Undertaking Year.

Pursuant to the Agreement, if the Performance Target of the respective Performance Undertaking Years is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser according to the profit guarantee as set out below. The Group does not intend to redeem the Promissory Note upon Completion and prior to any of the Performance Undertaking Year. Therefore, any future adjustment to the Consideration can be fully offset by the Promissory Note.

If the 2019 Performance Target is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser in accordance to the Promissory Note of the value of the 2019 Profit Adjustment and the relevant interest incurred. The 2019 Profit Adjustment is calculated as follow:

$$\text{HK\$280 million} \times \frac{(\text{2019 Performance Target} - \text{2019 Actual Performance})}{(\text{2019 Performance Target} + \text{2020 Performance Target} + \text{2021 Performance Target})}$$

If the 2020 Performance Target is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser in accordance to the Promissory Note of the value of the 2020 Profit Adjustment and the relevant interest incurred. The 2020 Profit Adjustment is calculated as follow:

$$\text{HK\$280 million} \times \frac{\text{(2020 Performance Target – 2020 Actual Performance)}}{\text{(2019 Performance Target + 2020 Performance Target + 2021 Performance Target)}}$$

If the 2021 Performance Target is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser in accordance to the Promissory Note of the value of the 2021 Profit Adjustment and the relevant interest incurred. The 2021 Profit Adjustment is calculated as follow:

$$\text{HK\$280 million} \times \frac{\text{(2021 Performance Target – 2021 Actual Performance)}}{\text{(2019 Performance Target + 2020 Performance Target + 2021 Performance Target)}}$$

In any event, the sum of all Profit Adjustments shall not be higher than HK$280 million and the Vendor is not obligated to compensate the Purchaser such shortfall. For the avoidance of doubt, (i) all Profit Adjustments shall be calculated separately and independently; and (ii) if the Actual Performance is in excess of Performance Target in any particular Performance Undertaking Year, the excess cannot be used to offset the Profit Adjustment in another Performance Undertaking Year.

The Board has considered the following to assess the sustainability of the Target Group's revenue and profit:

(i) the financial performance of the Group for the year ended 31 March 2018 has improved significantly due to the contribution from the inclusion of the custom-made furniture segment. In particular, the turnover of the Group for the year ended 31 March 2018 reached approximately HK$135.5 million, representing an increase of approximately 156.5% as compared to the financial year of 2017. During the same period, the custom-made furniture segment contributed approximately 60.3% of the turnover of the Group. Meanwhile, the Group recorded segment profit from custom-made furniture segment of approximately HK$13.1 million whereas the Group recorded segment loss from the mattress and soft bed products segment of approximately HK$4.5 million;

(ii) the Group has performed market research on the business potential of custom-made furniture business and noted that the custom-made furniture market is on an increasing growth trend recently. According to the website of the National Bureau of Statistics of the PRC[1] ("**NBS**"), the per capita residential consumption in the PRC was approximately RMB4,107 in 2017 representing a compound annual growth rate of approximately 6.5% from 2013 to 2017. The overall transaction amount of furniture products in the PRC was approximately RMB177.7 billion in 2017,

(1) http://data.stats.gov.cn

representing a compound annual growth rate of approximately 6.1% from 2013 to 2017. In 2014, the PRC government has initialized a new plan of urbanisation which contains four major areas, including ecological progress, urbanisation quality, expanding domestic demand and rural-urban coordination. According to an article namely "Coordinating Population Development Strategy, Realizing Balanced Population Development" published by NBS in September 2018[(2)], the urbanisation rate increased by 1.3% to 58.5% in 2017. As urbanisation will stimulate the domestic demand of home furniture, the Board is of the view that the furniture market in the PRC has a huge and vast room for expansion. Furthermore, the Board believes that the relaxation of one child policy in the PRC will increase the new born rate which in turn will increase the demand of furniture and redecoration. As the GDP per capital has increased and thus the disposable income of household in the PRC increased, the Board believes that the household in the PRC will continue to purchase high quality custom-made home furniture to improve their standard of living; and

(iii) the Group has also conducted site visit to the Target Group and interviews with its management to make due and careful enquiry on its business model, management structure and business operation. The Group has reviewed the financial statements of the Target Group for the year ended 31 March 2018 and the six months ended 30 September 2018 to understand its financial performance and noted that the financial performance of the Target Group is on an upward trend. The Target Group recorded the consolidated net profit after taxation of approximately HK$1.1 million for the year ended 31 March 2018 and approximately HK$14.5 million for the six months ended 30 September 2018 respectively. In order to assess the Performance Target, the Group has reviewed the confirmed existing projects as well as the pipeline projects of the Target Group. Particularly, the Target Group has entered into several sales framework agreements with its wholesale customers, pursuant to which the amount of custom-made furniture expected to deliver in 2019 is approximately HK$215.3 million. As advised by the Vendor, the existing projects and pipeline projects are related to several large residential property development projects owned by large property developers in the PRC. As at the Latest Practicable Date, the wholesale customers have ordered approximately HK$30.2 million custom-made furniture from the Target Group. Furthermore, the Group obtained and reviewed the business plan of the custom-made furniture retail business of the Target Group. The Board noted that the Target Group plans to expand its retail sales network by opening approximately 120 distribution stores in the PRC which could bring about further growth of revenue of the Target Group. The Target Group plans to intensify its sales and marketing strategies to expand its retail sales network in the PRC by (i) participating in furniture industry exhibitions in the PRC; and (ii) carrying out publicity activities to increase its brand awareness. The Target Group expects that approximately 40 distribution stores will be opened after the first furniture industry exhibition in March 2019 and approximately 80 distribution stores will be opened after the second furniture industry exhibition in July 2019. As at the Latest Practicable Date, the Group has entered into cooperation agreements with various local partners and it is expected that 16 new distribution stores will commence

(2) *http://www.stats.gov.cn/ztjc/ztfx/ggkf40n/201809/t20180918_1623598.html*

business by April 2019, of which 5 distribution stores have commenced business since March 2019 and 23 new distribution stores will commence business by July 2019.

Having considered (i) the Board's confidence toward the custom-made furniture business based on the favourable results of the Group's existing custom-made furniture segment; (ii) the future prospect of the custom-made furniture business in the PRC; and (iii) the review of the Target Group's business and financial performance including assessing the existing projects and the pipeline for projects of the Target Group's wholesale business and the business plan of the Target Group's retail business, the Board, after due and careful enquiry and due diligence on the Target Group's business, consider that the Target Group's revenue and profit is sustainable.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in the BVI with limited liability. The Vendor is ultimately owned as to 50% owned by Mr. Qin and as to 50% by Mr. Chang Tin Duk, Victor.

INFORMATION OF THE TARGET GROUP

The Vendor wholly owns the Target Company which is a holding company ultimately holding the entire equity interest of Guangzhou Yapin. The principal activity of the Target Company, Digit Dragon and Regal Leader is investment holding. Qianhai Weilong is principally engaged in research and development on computer software, internet, computer information system technology and e-commerce platform. As at the Latest Practicable Date, Qianhai Weilong has no operation since its incorporation. Guangzhou Yapin is principally engaged in manufacture, wholesale and retail of custom-made furniture in the PRC under the brand name "壹家壹品". Guangzhou Yapin was incorporated in March 2017 and commenced its own production in production plants rented from independent third parties since May 2018. The production plants are located in Conghua with a total site area of approximately 100,000 sq. m.. The production lines are designated to produce custom-made furniture products which are mainly made of timber. As at the Latest Practicable Date, Guangzhou Yapin had eight production lines and possessed machineries such as electronic writting saw, CNC cutting machine and automatic edge banding machine. Prior to the commencement of its own production, Guangzhou Yapin outsourced the production of custom-made furniture products to independent third party manufacturers. The main revenue source of the Target Group is the wholesale of custom-made furniture, which accounted for over 80% of the total revenue of the Target Group for the year ended 31 March 2018 and the six months ended 30 September 2018. The Target Group's wholesale customers are from private sector and mainly include contractors which have contracting agreement relationship with various property developers in the PRC. The major suppliers of the Target Group include raw materials providers, especially for timber. The Target Group has maintained a list of timber suppliers and obtains quotation from these suppliers from time to time in order to procure high quality timber for its production with lower price. As at the Latest Practicable Date, the Target Group had eight major wholesale customers and 10 major suppliers. Over the years, the real estate market in the PRC has experienced significant growth and the customers' requirement on living standard has heightened, which in turn stimulated demand for custom-made furniture in the PRC. The Target Group endeavoured to seize such opportunity and develop its production facilities and devote significant resources to the marketing of its products with a view to establish a solid customer base in the wholesale market of custom-made furniture in the PRC.

On the other hand, the Target Group has been expanding its retail network in the PRC. The custom-made furniture products under the brand name "壹家壹品" owned by the Target Group are distributed through an extensive retail distribution network with a wide geographical reach in the PRC. As at the Latest Practicable Date, there are 211 distribution stores selling the custom-made furniture products under the brand name "壹家壹品" in over 15 provinces of the PRC, 51 of which are operated by the Target Group.

In order to expand the retail network more rapidly in the PRC, the Target Group established an online platform namely "Designer-X", which provides online ordering and design services for customers to place their order for design recommendation. The Designer-X aims to match the potential customers with interior designers who have registered on the Designer-X and have been authorised by the Target Group. Once a design proposal has been adopted by a customer, the order of relevant custom-made furniture will be sent to the Target Group for production simultaneously and those finished furniture will then be delivered to such customer within a short period of time. As at the Latest Practicable Date, there were approximately 271 interior designers registered on the Designer-X.

The key management of the Target Group are Mr. Qin; Mr. Liu Yuanshen ("**Mr. Liu**"), sale director of the Target Group; Mr. Ding Gang ("**Mr. Ding**"), vice president of the Target Group and Mr. Tan Runzhu ("**Mr. Tan**"), general manager of the Target Group.

Mr. Qin graduated from South China Agricultural University in 2005 and has over 10 years of experience in the furniture manufacturing and distribution industry. Prior to the establishment of Guangzhou Yapin, Mr. Qin was the general manager of Huge Fortune (Fo Gang) Wood Industries Limited* (日利(佛岡)木業有限公司) from 2008 to 2012 and his main responsibilities were managing and monitoring daily operation and implementation of corporate strategies. He was the responsible officer of Jiangsu office of Shenzhen Hongji Investment and Development Limited* (深圳市宏基投資發展有限公司) from 2005 to 2007 and his main responsibilities were managing and monitoring daily operation.

Mr. Liu graduated from Guangdong Ocean University in 2006 and has over eight years of experience in the furniture manufacturing and distribution industry. Prior joining the Target Group, Mr. Liu was the sale manager of Guangzhou Yadan Cabinet Limited* (廣州亞丹櫃業有限公司) from 2014 to 2017. His main responsibilities were marketing and promotion strategies development, strategic partnerships development and staff training.

Mr. Ding graduated from Jiangxi Academy for Specialized Economic Management in 2006 and has over 10 years of experience in the furniture industry. Prior joining the Target Group, Mr. Ding was the general manager of Fushan Tangyu Wooden Limited* (佛山市唐韵木業有限公司) from 2016 to 2017. His main responsibilities were projects execution and marketing strategies development and customers' relationship management.

Mr. Tan graduated from South China Agricultural University in 2005 and has over 10 years of experience in the wooden industry. Prior joining the Target Group, Mr. Tan was the general manager of Guangzhou Baiyun Bamboo Xianjitang Wooden Door Factory* (廣州市白雲區竹料賢集堂木門廠) from 2007 to 2016. His main responsibilities were monitoring daily operation and implementation of internal policies to ensure compliance with operation and legal requirements.

Set out below is the consolidated financial information of Target Company for the year ended 31 March 2018 and for the six months ended 30 September 2018 prepared under the Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2018 *HK$'000 Approximately (audited)*	**For the six months ended 30 September 2017** *HK$'000 Approximately (unaudited)*	**For the six months ended 30 September 2018** *HK$'000 Approximately (audited)*
Profit/(loss) before taxation	1,142	(313)	19,807
Profit/(loss) after taxation	820	(313)	14,854

The audited consolidated net assets of the Target Company as at 31 March 2018 and 30 September 2018 were approximately HK$871,000 and HK$14.7 million respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

During the financial year ended 31 March 2018, the Group has successfully completed the acquisition of Pioneer One Investments Limited ("**Pioneer One**", together with its subsidiaries, collectively the "**Pioneer One Group**") which is principally engaged in retail of custom-made furniture business in the PRC. Under the cooperation agreement (the "**Cooperation Agreement**") entered into with Guangzhou Yapin in early 2017, the Pioneer One Group has been granted the right to operate the retail business of custom-made furniture under the brand name of "壹家壹品" in four provinces of the PRC, including Guangdong, Fujian, Guangxi and Hainan at nil consideration. In order to explore potential market in other regions, the Pioneer One Group and Guangzhou Yapin subsequently entered into a supplemental agreement (the "**Supplemental Agreement**") to allow the Pioneer One Group to expand the retail coverage and the brand name beyond such four provinces to other regions in the PRC. The expiry date of the Cooperation Agreement and the Supplemental Agreement are 31 March 2020 and 19 March 2022 respectively. Upon expiry date of the Cooperation

Agreement and the Supplemental Agreement, the Group cannot carry out its retail business of custom-made furniture under the name of "壹家壹品" in the PRC. Moreover, the Pioneer One Group has also been granted the right to use the Designer-X in the PRC under a license agreement (the "**License Agreement**") entered into with Guangzhou Yapin at nil consideration. The expiry date of the License Agreement is 23 November 2022. Upon expiry date of the License Agreement, the Group cannot use the Designer-X to carry out its business in the PRC.

For the year ended 31 March 2018, the Pioneer One Group contributed segment revenue to the Group of approximately HK$81.7 million and segment profit to the Group of approximately HK$13.1 million for the financial year ended 31 March 2018. Upon Completion, the Group will own the brand name of "壹家壹品" and the intellectual property rights of Designer-X through the ownership of entire equity interest of the Target Company, both of which will allow the Group to freely extend its retail coverage under the well-known brand name in the PRC without any limitations in terms of geographical location and time constraint.

In addition, as mentioned in the section headed "Information of the Target Group", the wholesale of custom-made furniture is the major source of revenue of the Target Group. Leveraging on the Target Group's solid customer base in the wholesale furniture market in the PRC, the historical financial performance and growth potential of the Target Group, it is expected that the Acquisition enables the Group to tap into the wholesale furniture market in the PRC and broaden the revenue base of the Group after the Completion.

Having considered the positive effect to the Group's financial results contributed by Pioneer One and the potential growth opportunities in the wholesale of custom-made furniture market, the Board is of the view that the Acquisition can (i) expand its retail network of custom-made furniture market without any limitations; (ii) enable the Group to tap into the wholesale market of custom-made furniture market; and (iii) enhance synergy with the Group's existing furniture business.

On the above basis, the Board is of the view that the terms of the Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and their results would be consolidated into the consolidated financial statements of the Company. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma total assets of the Enlarged Group would be approximately HK$962.1 million and the unaudited pro forma total liabilities of the Enlarged Group would be approximately HK$643.7 million as at 30 September 2018. The Acquisition has no immediate impact on the earnings of the Group immediately upon Completion. As the Directors believe that the Acquisition will facilitate the Group to expand its business scope and explore potential profits sources, the Group's long-term development would be improved upon the Completion.

GEM LISTING RULES IMPLICATIONS

Mr. Qin is one of the Directors, and therefore Mr. Qin is a connected person of the Company. Given that the Vendor is indirectly owned as to 50% by Mr. Qin, the Vendor is an associate of Mr. Qin. Pursuant to Chapter 20 of the GEM Listing Rules, the Vendor is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the Acquisition constitutes a major and connected transaction for the Company under Chapter 19 and Chapter 20 of the GEM Listing Rules, which is subject to the announcement, reporting, circular and independent shareholders' approval requirements.

The Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and whether the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and to advise the independent Shareholders on how to vote at the EGM taking into account the recommendation of the independent financial adviser. Reference is made to the announcement of the Company dated 22 January 2019, Green Park Corporate Finance Co., Limited ("**Green Park**") has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. The Company and Green Park have agreed to terminate the appointment of Green Park as independent financial adviser of the Company. The Board confirmed that there is no disagreement between Green Park and the Company, and there are no matters in respect of the change of the independent financial adviser that need to be brought to the attention of the Shareholders. Crescendo Capital has been appointed as the independent financial adviser to replace Green Park and to make recommendations to the Independent Board Committee and the independent Shareholders in respect of the same. The appointment of Crescendo Capital has been approved by the Independent Board Committee.

RE-ELECTION OF DIRECTOR

As at the Latest Practicable Date, the Board comprised four executive Directors, namely Mr. Qin, Mr. Hung Cho Sing, Mr. Matthew Chung and Mr. Chau Tsz Kong Alan, and three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui.

In accordance with the code provision A.4.2 of Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules and Article 83(3) of the articles of association of the Company, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. Accordingly, Mr. Chau Tsz Kong Alan will hold office until the EGM and he, being eligible, offer himself for election as Director at the EGM.

Brief biographical details of the aforesaid Director proposed to be re-elected at the EGM are set out in Appendix VI to this circular.

EGM

An EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder and the re-election of Director. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The voting in relation to the Acquisition at the EGM will be conducted by poll whereby any Shareholders and their close associates (as defined under the GEM Listing Rules) who have a material interest in the Acquisition shall abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM. As such, the Vendor and its associates are required to abstain from voting on the resolutions to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the Acquisition and shall be required to abstain from voting at the EGM in respect of the relevant resolution.

You will find the enclosed proxy form for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Shareholders and potential investors should note that the Acquisition contemplated under the Agreement is subject to satisfaction of certain Conditions Precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors believe that the terms of the Acquisition are on normal commercial terms, fair and reasonable and the Acquisition and the re-election of Director are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favour of the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

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)

28 March 2019

To the Independent Shareholders,

Dear Sir or Madam,

We refer to the circular dated of the Company dated 28 March 2019 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall bear the same meanings as those defined in the circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider whether the terms of the Agreement and the Acquisition are fair and reasonable, whether the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Crescendo Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 20 of the circular, and the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of whether the terms of the Agreement and the Acquisition are fair and reasonable, whether the Agreement and the Acquisition are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and the Independent Shareholders on how to vote as set out on pages 23 to 46 of the circular.

Having taken into account the reasons relating to the Acquisition and the terms of the Agreement and the advice of the Independent Financial Adviser, the Acquisition is in the ordinary course of business of the Group and the terms and conditions of the Agreement are fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
Tang Kin Chor
Chan Chun Wing
Li Siu Yui
Independent Board Committee

The following is the full text of the letter of advice from Crescendo Capital setting out its advice to the Independent Board Committee and the independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

CRESCENDO

1506 Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

28 March 2019

EJE (Hong Kong) Holdings Limited
Room 2301, 23/F
China Insurance Group Building
141 Des Voeux Road
Central, Hong Kong

To the Independent Board Committee and the independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders with respect to the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular of the Company dated 28 March 2019 to the Shareholders (the ''Circular''), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 22 January 2019 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing all the issued share capital of the Target Company, for the Consideration of HK$280 million, which shall be satisfied by way of issue of the Promissory Note.

Mr. Qin is one of the Directors, and therefore Mr. Qin is a connected person of the Company. Given that the Vendor is indirectly owned as to 50% by Mr. Qin, the Vendor is an associate of Mr. Qin. Pursuant to Chapter 20 of the GEM Listing Rules, the Vendor is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the Acquisition constitutes a major and connected transaction for the Company under Chapter 19 and Chapter 20 of the GEM Listing Rules, and is subject to the announcement, reporting, circular and independent Shareholders' approval requirements.

The EGM will be convened for the purpose of, among other matters, considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder. The voting in relation to the Acquisition at the EGM will be conducted by poll whereby Shareholders and their close associates (as defined under the GEM Listing Rules) who have a material interest in the Acquisition shall be required to abstain from voting on the resolution in relation the Acquisition to be proposed at the EGM. As such, the Vendor and its associates are required to abstain from voting on the resolution in approving the Agreement and the transactions contemplated thereunder to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholders have material interests in the Acquisition and shall be required to abstain from voting at the EGM in respect of the resolution in approving the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui, has been established to advise the independent Shareholders on the terms of the Agreement. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the independent Shareholders in this regard, in particular as to whether the terms of the Agreement are fair and reasonable so far as the independent Shareholders are concerned, the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group as well as in the interests of the Company and Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We were not aware of any relationship or interest between us and the Company or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company (the "Management") and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular 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 in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Acquisition, we have considered the following principal factors and reasons:

1. Information on the Group

The Company is an investment holding company and the Group is principally engaged in the businesses of (i) manufacture of custom-made furniture in the PRC (the "Furniture Business"); (ii) design, manufacture and sale of mattress and soft bed products in the PRC and export mattress to overseas markets (the "Mattress Business"); (iii) property investment in Hong Kong; (iv) securities investment in Hong Kong; and (v) money lending in Hong Kong.

The audited consolidated financial information of the Group for the two years ended 31 March 2017 and 31 March 2018 as extracted from the annual report of the Company, the unaudited consolidated financial information of the Group for the six months ended 30 September 2018 as extracted from the interim report of the Company and the nine months ended 31 December 2017 and 31 December 2018 as extracted from the third quarterly report of the Company is summarized as follows:

	For the year ended 31 March		**For the nine months ended 31 December**	
	2017	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	52,830	135,524	91,473	99,058
Gross profit	11,099	37,054	23,451	30,021
Gross profit margin	21.0%	27.3%	25.6%	30.3%
Profit/(loss) before taxation	144,720	(378,838)	(103,819)	(14,064)
Profit/(loss) for the year/ period attributable to owners of the Company	116,820	(369,586)	(86,686)	(9,740)

	As at 30 September 2018
	HK$'000
	(unaudited)
Non-current assets	509,321
Current assets	124,836
Total assets	634,157
Non-current liabilities	(22,563)
Current liabilities	(293,239)
Total liabilities	(315,802)
Net assets	318,355

The revenue of the Group for the year ended 31 March 2018 was approximately HK$135.5 million, of which approximately 60.3% (2017: 0%) was derived from the Furniture Business, approximately 35.8% (2017: 93.8%) was derived from the Mattress Business and approximately 3.9% (2017: 6.2%) was derived from the property investment, money lending and other businesses. The Group diversified its business into the Furniture Business upon completion of the acquisition of Pioneer One Investments

Limited ("Pioneer One", together with its subsidiaries, collectively, the "Pioneer One Group") in August 2017. With the additional revenue of approximately HK$81.7 million generated from the new Furniture Business, the revenue of the Group increased from HK$52.8 million for the year ended 31 March 2017 to HK$135.5 million for the year ended 31 March 2018. The gross profit of the Group for the year ended 31 March 2018 was approximately HK$37.1 million, representing an increase of 234.2% as compared to the previous year. The gross profit margin increased from approximately 21.0% for the year ended 31 March 2017 to approximately 27.3% for the year ended 31 March 2018. Such increase was attributable to the commencement of the new Furniture Business, which recorded a higher gross profit margin of approximately 29.8% as compared to that of the Mattress Business of approximately 16.0% for the year ended 31 March 2018. However, with the recognitions of (i) the fair value loss on financial assets at fair value through profit or loss in the amount of approximately HK$128.1 million for the year ended 31 March 2018, which was mainly derived from the realized fair value loss arose from the disposal of shares of an investment in a company listed in the Stock Exchange, whereas a fair value gain on financial assets at fair value through profit or loss in the amount of approximately HK$163.6 million was recorded for the last year; and (ii) the fair value loss of convertible bonds of approximately HK$283.1 million, which was a non-cash accounting loss incurred as a result of the change in fair value of the convertible bonds in the principal amount of HK$212.0 million issued as the consideration for the acquisition of Pioneer One, the Group recorded a loss before income tax of approximately HK$378.8 million for the year ended 31 March 2018 whereas a profit before income tax of approximately HK$144.7 million was recorded for the year ended 31 March 2017. The loss attributable to owners of the Company amounted to approximately HK$369.6 million for the year ended 31 March 2018, as compared to a profit of approximately HK$116.8 million for the year ended 31 March 2017.

The revenue of the Group for the nine months ended 31 December 2018 was approximately HK$99.1 million, of which approximately 92.8% (2017: 55.3%) was derived from the Furniture Business, approximately 2.1% (2017: 41.2%) was derived from the Mattress Business and approximately 5.1% (2017: 3.5%) was derived from the property investment, money lending and other businesses. The revenue of the Group increased from approximately HK$91.5 million for the nine months ended 31 December 2017 to approximately HK$99.1 million for the nine months ended 31 December 2018. The increase was mainly due to the combined effects of (i) the increase in revenue of the Furniture Business, which has commenced to generate revenue to the Group since August 2017, from approximately HK$50.6 million for the nine months ended 31 December 2017 to HK$91.9 million for the nine months ended 31 December 2018; and (ii) the decrease in revenue of the Mattress Business from approximately HK$37.7 million for the nine months ended 31 December 2017 to approximately HK$2.1 million for the nine months ended 31 December 2018 as the Group scaled down and ceased the production operation of the Mattress Business in May 2018. The gross profit of the Group for the nine months ended 31 December 2018 was approximately HK$30.0 million, representing an increase of approximately 27.7% as compared to the last corresponding period. The gross profit margin further increased to approximately 30.3% for the nine months ended 31 December 2018 as the Group shifted its focus from the Mattress Business to the Furniture Business, which generated a higher gross profit margin. Given the improved gross profit of the

Group for the nine months ended 31 December 2018 and the decrease in fair value loss on financial assets at fair value through profit or loss, the loss before income tax of the Group reduced significantly from approximately HK$103.8 million for the nine months ended 31 December 2017 to approximately HK$14.1 million for the nine months ended 31 December 2018. The loss attributable to owners of the Company also decreased from approximately HK$86.7 million for the nine months ended 31 December 2017 to approximately HK$9.7 million for the nine months ended 31 December 2018.

As at 30 September 2018, the non-current assets of the Group amounted to approximately HK$509.3 million, of which approximately HK$262.8 million were investment properties, approximately HK$135.5 million were goodwill arose from the acquisition of Pioneer One and approximately HK$67.8 million were intangible assets mainly comprised trademark and distribution network generated from the Furniture Business. The current assets of the Group amounted to approximately HK$124.8 million as at 30 September 2018, which mainly consisted of financial assets at fair value through profit or loss of approximately HK$15.9 million, trade and other receivables of approximately HK$69.6 million, loan receivables of approximately HK$10.0 million, convertible bonds receivables of approximately HK$10.6 million and cash and cash equivalents of approximately HK$11.2 million. The current liabilities of the Group as at 30 September 2018 amounted to approximately HK$293.2 million, which mainly comprised trade and other payables of approximately HK$47.2 million, bank and other borrowings of approximately HK$34.2 million and convertible bonds of approximately HK$204.0 million. As at 30 September 2018, the non-current liabilities of the Group, being deferred tax liabilities, amounted to approximately HK$22.6 million. As at 30 September 2018, the net current liabilities of the Group amounted to approximately HK$168.4 million while the net assets of the Group amounted to approximately HK$318.4 million. The gearing ratio, as expressed as total liabilities over total assets, of the Group was approximately 49.8% as at 30 September 2018.

2. Information on the Target Group

The Target Company is an investment holding company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of the Vendor. As at the Latest Practicable Date, the Target Company held the entire issued share capital of Digit Dragon Limited (''Digit Dragon''), which is an investment holding company holding the entire equity interest in (i) 深圳市前海緯龍科技有限公司 (transliterated as Shenzhen Qianhai Weilong Technology Limited Company*) (''Qianhai Weilong''), a company established in the PRC principally engaged in research and development on computer software, internet, computer information system technology and e-commerce platform, which then in turn held the entire equity interest in 廣州雅品家具科技有限公司 (transliterated as Guangzhou Yapin Furniture Technology Limited Company*) (''Guangzhou Yapin''), a company established in the PRC on 17 March 2017 and principally engaged in manufacture, wholesale and retail of custom-made furniture in the PRC; and (ii) Regal Leader (Hong Kong) Limited (''Regal Leader''), an investment holding company established in Hong Kong.

* *For identification purpose only*

Through Guangzhou Yapin, the Target Group is principally engaged in (i) wholesale and retail distribution of custom-made furniture under the brand name of ''壹家壹品'' (''Yijia Yipin*''); and (ii) operation of an online platform, namely ''Designer-X''.

Yijia Yipin

The wholesale of custom-made furniture is the major source of revenue of the Target Group, which accounted for approximately 100% and 84.2% of the total revenue of the Target Group for the year ended 31 March 2018 and six months ended 30 September 2018 respectively. The customers of the wholesale segment are from private sector and mainly include contractors in the construction industry in the PRC which have contracting agreement relationship with various major property developers in the PRC. The major suppliers of the Target Group include raw material providers, especially for timber. The Target Group has maintained a list of timber suppliers and obtains quotations from these suppliers from time to time in order to procure high quality timber for its production with lower price. As at the Latest Practicable Date, the Target Group had 8 major wholesale customers and 10 major suppliers. In addition, the Target Group has been expanding its retail network in the PRC. The custom-made furniture products under the brand name of Yijia Yipin are distributed through an extensive retail distribution network with a wide geographical reach in the PRC. As at the Latest Practicable Date, there were 211 distribution stores selling the custom-made furniture products of Yijia Yipin in over 15 provinces of the PRC, 51 of which were operated by the Target Group.

Designer-X

The Target Group has established an online platform, namely ''Designer-X'', for providing online ordering and design services for customers to place their orders for design recommendation and aiming to match the potential customers with interior designers who have been registered on Designer-X and authorised by the Target Group. Once a design proposal is accepted by a customer, the order of the relevant custom-made furniture will be sent to the Target Group for production simultaneously and those finished furniture will then be delivered to such customer within a short period of time. As at the Latest Practicable Date, there were approximately 271 interior designers registered on Designer-X.

* *For identification purpose only*

Financial information

The financial information of the Target Group for the year ended 31 March 2018 and the six months ended 30 September 2018 as extracted from the accountant's report set out in Appendix II to the Circular, is summarized as follows:

	For the year ended 31 March	For the six months ended 30 September	
	2018	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(audited)
Revenue	18,713	—	68,967
Gross profit	3,131	—	25,009
Gross profit margin	16.7%	—	36.3%
Profit/(loss) before tax	1,142	(313)	19,807
Profit/(loss) for the year/period	820	(313)	14,854

	As at 30 September 2018
	HK$'000
	(audited)
Non-current assets	7,435
Current assets	79,386
Total assets	86,821
Current liabilities	(71,797)
Total liabilities	(71,797)
Net assets	15,024

For the year ended 31 March 2018, the revenue of the Target Group amounted to approximately HK$18.7 million, all of which were generated from the wholesale of custom-made furniture. The Target Group has started its retail business in the PRC since April 2018. The revenue of the Target Group increased to approximately HK$69.0 million for the six months ended 30 September 2018, of which approximately 84.2% were generated from the wholesale of custom-made furniture. In addition to the revenue generated from the new retail business, the revenue from the wholesale business also increased as several large wholesale contracts entered into in late 2017 were completed and delivered to the customers in 2018. We were given to understand from the Management and the Vendor that the production of wholesale custom-made furniture generally involves five major processes, including business negotiation, on-site due diligence, sample making, trial production and production, which typically takes about six months to completion.

In line with the growth in revenue of the Target Group, the selling and distribution expenses increased from approximately HK$0.4 million for the year ended 31 March 2018 to approximately HK$1.5 million for the six months ended 30 September 2018 as the increase in headcount of sales and marketing department raised the staff cost in relation to sales and distribution. Meanwhile, the administrative expenses also increased from approximately HK$2.2 million for the year ended 31 March 2018 to approximately HK$3.7 million for the six months ended 30 September 2018 as a result of increase in staff costs along with the development of business of the Target Group. The profit before tax of the Target Group increased significantly from approximately HK$1.1 million for the year ended 31 March 2018 to approximately HK$19.8 million for the six months ended 30 September 2018 while the profit after tax of the Target Group increased from approximately HK$0.8 million for the year ended 31 March 2018 to approximately HK$14.5 million for the six months ended 30 September 2018.

As at 30 September 2018, non-current assets of the Target Group, being property, plant and equipment, amounted to approximately HK$7.4 million while the current assets of the Target Group amounted to approximately HK$79.4 million, which mainly comprised trade and other receivables of approximately HK$74.7 million and inventories of approximately HK$4.4 million. The current liabilities of the Target Group as at 30 September 2018 amounted to approximately HK$71.8 million, mainly included trade and other payables of approximately HK$67.1 million and tax payables of approximately HK$4.7 million. As at 30 September 2018, the net current assets and the net assets of the Target Group amounted to approximately HK$7.6 million and HK$15.0 million respectively. The gearing ratio, as expressed as total liabilities over total assets, of the Target Group was approximately 82.7% as at 30 September 2018.

As set out in the letter from the Board contained in the Circular (the "Letter from the Board"), the Target Group has entered into several sales framework agreements with its wholesale customers and the existing projects and pipeline projects of the Target Group are related to several large residential property development projects owned by large property developers in the PRC. The Target Group also plans to expand its retail sales network by opening approximately 120 distribution stores in the PRC which are expected to bring further growth to the revenue of the Target Group. The Target Group plans to intensify its sales and marketing strategies to expand its retail sales network in the PRC by (i) participating in furniture industry exhibitions in the PRC; and (ii) carrying out publicity activities to increase its brand awareness. The Target Group expects that approximately 40 distribution stores will be opened after the first furniture industry exhibition in March 2019 and approximately 80 distribution stores will be opened after the second furniture industry exhibition in July 2019. As at the Latest Practicable Date, the

Target Group had entered into cooperation agreements with various local partners and it is expected that 16 new distribution stores will commence business by April 2019.

3. Outlook of the furniture business in the PRC

According to the data released by the National Bureau of Statistics of the PRC, the revenue of industrial enterprises above designated size (as defined below) with principal business of manufacture of furniture in the PRC from 2013 to 2017 are summarized as follow:

	2013	2014	2015	2016	2017
	RMB' billion	*RMB' billion*	*RMB' billion*	*RMB' billion*	*RMB' billion*
Revenue of industrial enterprises above designated size with principal business of manufacture of furniture	664.2	727.3	788.1	878.0	878.8

Source: National Bureau of Statistic of the PRC (http://data.stats.gov.cn/)

As shown above, the total revenue of industrial enterprises above designated size (a statistical term used to refer to industrial enterprises with principal business revenue of RMB20.0 million or above per annum according to the definition of National Bureau of Statistics of the PRC) with principal business of manufacture of furniture in the PRC increased steadily from approximately RMB664.2 billion in 2013 to approximately RMB878.8 billion in 2017, representing a compound annual growth rate of approximately 7.3%.

According to an article, namely "China's Furniture Market", published by Hong Kong Trade Development Council on 30 July 2018 (the "HKTDC Article") (http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Furniture Market/ccm/en/1/1X000000/1X002L63.htm), as the leading policy of the PRC of stimulating domestic demand in the years to come, urbanisation is bound to drive furniture market growth. As set out in the HKTDC Article, data from the National Bureau of Statistics showed that the urbanisation rate in the PRC in 2017 was approximately 58.5%, representing an increase of approximately 1.2% points over the end of the preceding year. During the process of urbanisation, wage and salary earners, as well as peasant families who have settled in towns and cities, have become the major consumers in the furniture market in the PRC. The HKTDC Article stated that under the shantytown reconstruction project in the PRC, it is estimated that approximately 54 million houses will have been renovated by 2020, which will generate demand for furniture in the domestic market. Apart from the domestic market, furniture exports of the PRC also recorded steady growths in recent years. As disclosed in the HKTDC Article, according to the 13th Five-Year Plan period (2016–2020) for the Development of China's Furniture Industry, the value of furniture exports of the PRC increased at an average annual rate of

8.8%, from US$38.9 billion in 2011 to US$54.3 billion in 2015. The average annual growth rate of Chinese furniture exports was expected to be approximately 3.0% to 5.0% during the 13th Five-Year Plan period (2016–2020).

Based on the above, the Management believes that the prospects of furniture industry in the PRC remain positive in the foreseeable future.

4. Reasons for the Acquisition

The Group is principally engaged in the businesses of (i) the Furniture Business; (ii) the Mattress Business; (iii) property investment; (iv) securities investment; and (v) money lending.

The Target Group is principally engaged in manufacture, wholesale and retail of custom-made furniture in the PRC under the brand name of Yijia Yipin.

As disclosed in the annual report of the Company for the year ended 31 March 2017, the revenue of the Group reduced by approximately 8.1% as compared to the year ended 31 March 2016 as the revenue generated from the Mattress Business, being the major revenue contributor accounted for approximately 93.8% of the total revenue of the Group for the year ended 31 March 2017, decreased significantly as a result of the decreasing demand for the mattress and soft bed products. As part of its development strategy, the Company devoted much effort on exploring other business opportunities. In August 2017, the Group successfully completed the acquisition of the Pioneer One Group, which is principally engaged in retail of custom-made furniture business in the PRC. After completion of the acquisition of the Pioneer One Group, the Group has gradually shifting its focus from the loss-making Mattress Business to the profitable Furniture Business. As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2018, in view of the satisfactory performance of the Furniture Business, which contributed approximately 92.8% of the total revenue of the Group and generated a segment profit of approximately HK$16.3 million for the nine months ended 31 December 2018, the Group will continue to place emphasis on developing the Furniture Business and seek opportunity to expand its operation scale.

The Pioneer One Group has been granted the right to operate the retail business of custom-made furniture under the brand name of Yijia Yipin in four provinces of the PRC, including Guangdong, Fujian, Guangxi and Hainan under a cooperation agreement (the ‘‘Cooperation Agreement’’) entered into with Guangzhou Yapin in early 2017. The parties to the Cooperation Agreement further entered into a supplemental agreement to allow the Pioneer One Group to expand the retail coverage and use the brand name of Yijian Yipin beyond the aforementioned four provinces to other regions in the PRC. The agreements shall expire in 2020 and 2022 respectively. Moreover, the Pioneer One Group has also been granted the right to use the Designer-X platform in the PRC at nil consideration under a license agreement entered into with Guangzhou Yapin, which will be expired on 23 November 2022. Upon the respective expiry dates of the above-mentioned agreements, the Group can no longer carry out its retail business of custom-made furniture under the name of Yijia Yipin or use the Designer-X platform to carry out its business in the PRC.

In view of the promising performance of the Furniture Business and the cessation of the Group's rights to use the brand name of Yijia Yipin and the Designer-X platform for development of the Furniture Business after expiry of the relevant agreements, the Directors consider that the Acquisition will allow the Group to maintain a sustainable operation of its Furniture Business under the brand name of Yijia Yipin by owning the brand name of Yijia Yipin and the intellectual property rights of Designer-X through the ownership of the entire equity interest of the Target Company. The Acquisition will also allow the Group to freely extend its retail coverage under the well-known brand name in the PRC without any limitation in terms of geographical location and time constraint upon Completion. Furthermore, as advised by the Management, by leveraging on the Target Group's solid customer base in the wholesale furniture market in the PRC, including contractors who have contracting agreement relationships with various property developers in the PRC, and the historical financial performance and growth potential of the Target Group, it is expected that the Acquisition shall enable the Group to tap into the wholesale furniture market in the PRC and broaden the revenue base of the Group after Completion.

Having considered the positive effects contributed by the Pioneer One Group to the financial performance of the Group since its acquisition, the benefits that are expected to be derived from the Acquisition as mentioned above and the positive outlook of the furniture industry in the PRC, we concur with the Directors' view that the Acquisition would facilitate the expansion of the Group's retail network of custom-made furniture products without any time and geographical limitation, enable the Group to tap into the wholesale market of custom-made furniture as well as create synergy with the Group's existing furniture business, and is in the interests of the Company and Shareholders as a whole although the Acquisition is not conducted in the ordinary and usual course of business of the Company.

5. Consideration

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing all the issued shares of the Target Company, for the Consideration of HK$280.0 million, which shall be settled by way of issuing the Promissory note by the Company to the Vendor on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account, among others, (i) the valuation of Guangzhou Yapin of HK$281.2 million as at 30 November 2018 according to the preliminary valuation report prepared by the Valuer based on market approach; (ii) the operating performance of the Target Group; (iii) the business prospect of the Target Group; and (iv) the profit guarantee to be provided by the Vendor.

As advised by the Management, the Target Company, Digit Dragon, Qinghai Weilong and Regal Leader have had no material business activities since their respective incorporation/establishment dates, and thus they have not recorded any material profit/loss and assets and liabilities since their respective dates of incorporation/establishment. As such, the valuation of Guangzhou Yapin principally represents the value of the Target Group.

Valuation of Guangzhou Yapin

To assess the fairness and reasonableness of the Consideration, we have considered the valuation of 100% equity interest in Guangzhou Yapin as at 30 November 2018 prepared by the Valuer, an independent professional valuer, using market approach in the amount of HK$281.2 million as set out in Appendix V to the Circular (the ''Valuation Report''), and performed works as required under Note 1(d) to Rule 17.92 of the GEM Listing Rules in respect of the valuation of Guangzhou Yapin, including discussion with the Valuer as to its experiences in business valuation of similar business and its relationship with the parties to the Agreement as well as its terms of engagement for the valuation, in particular to its scope of work. We noted that its scope of work was appropriate for it to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report. The Valuer confirmed us that apart from normal professional fee payable to it in connection with this valuation appointment, no arrangements exist whereby it would receive any fee or benefit from the parties to the Agreement. The Valuer also confirmed us that it was not aware of any relationship or interest between it and the Company or any other parties that would be reasonably considered to affect its independence to act as an independent valuer for the Company.

Valuation methodology

We have reviewed the Valuation Report and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the valuation of Guangzhou Yapin as at 30 November 2018. We noted that the valuation of Guangzhou Yapin was prepared in accordance with International Valuation Standards issued by the International Valuation Standards Council and market approach was adopted by the Valuer in arriving at the market value of Guangzhou Yapin. As set out in the Valuation Report, the Valuer has considered three generally accepted valuation approaches, namely market approach, cost approach and income approach, in conducting the valuation. Given that the cost approach does not directly incorporate information about the economic benefits contributed by the subject business, and the income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections of Guangzhou Yapin were not available at the valuation date to arrive at an indication of value, the Valuer considered that cost approach and income approach were inappropriate in valuing Guangzhou Yapin. Meanwhile, the Valuer is of the view that the market approach is the most appropriate method in valuing Guangzhou Yapin as it considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets such as Guangzhou Yapin with an established secondary market may be valued by market approach, which also introduces objectivity in application as publicly available data are used. Having considered the aforementioned limitations in applying the cost approach and income approach in assessing the value of Guangzhou Yapin, we concur with the Valuer that the market approach is an appropriate method in arriving at the valuation of Guangzhou Yapin.

We were advised by the Valuer that there are two common methods, namely guideline public company method and guideline transaction method, under the market approach. Given there were insufficient recent market transactions with similar nature as Guangzhou Yapin for the Valuer to generate a reliable result, the Valuer did not adopt guideline transaction method in valuing Guangzhou Yapin. On the other hand, there was a pool of relevant and sufficient guideline public companies with comparable business model being identified by the Valuer. Therefore, guideline public traded company method was adopted by the Valuer in valuing Guangzhou Yapin. Based on the above, we consider that the valuation methodology applied by the Valuer is fair and reasonable.

Valuation multiples

As set out in the Valuation Report, the Valuer has considered market generally accepted pricing multiples, such as price-to-earnings ratio, price-to-book ratio and price-to-sales ratio. The Valuer considered that price-to-book ratio and price-to-sales ratio were inappropriate for valuing Guangzhou Yapin because book value captured only the tangible assets of a company but the intangible assets as well as company-specific competencies and advantages were not captured in the price-to-book ratio while the price-to-sale ratio ignored the cost structure and hence the profitability of a company. On the other hand, price-to-earnings ratio could reflect the financial performance of a company. We also understand that dividends approach was not applicable for assessing the value of the Guangzhou Yapin as no dividends were declared by Guangzhou Yapin for the past two years. In order to reflect the latest performance of Guangzhou Yapin, the Valuer has adopted the trailing price-to-earnings ratio (the ‘‘Trailing P/E Ratio’’), which is defined as the current market price to trailing 12-month net profit attributable to owners of Guangzhou Yapin up to the valuation date, as valuation multiple in valuing Guangzhou Yapin. Based on the above, we concur with the Valuer’s view that the price-to-earnings approach is the most appropriate method to assess the value of Guangzhou Yapin and the Trailing P/E Ratio is an appropriate multiple in determining the market value of Guangzhou Yapin.

Comparables

As set out in the Valuation Report, the Valuer has identified, on a best effort basis, nine comparable companies (the ‘‘Valuation Comparables’’) based on the selection criteria of (i) the comparable companies derived most, if not all, of their revenues from the same industry of Guangzhou Yapin, i.e. manufacturing and sales of home furniture in the PRC; (ii) the information of the comparable companies were searchable in Bloomberg, a privately held financial software, data and media company providing financial software tools such as an analytics and equity trading platform, data services, and news to financial companies and organisations; (iii) the comparable companies were publicly listed; and (iv) sufficient data, including the Trailing P/E Ratios as at the valuation date, of the comparable companies was available. Details of the Valuation Comparables are set out in the Valuation Report.

During our discussion with the Valuer, we were given to understand that the first selection criterion was determined with an aim to capture those companies with similar business activities and same business location as Guangzhou Yapin. The second to fourth selection criteria were set with an aim to ensure only updated and objective data which are available from a reliable and independent source were used for comparison purposes. We have reviewed the Valuation Comparables, which were considered by the Valuer as an exhaustive list of comparable companies satisfying the above-mentioned selection criteria obtained on a best effort basis, and are satisfied that the Valuation Comparables meet with the Valuer's selection criteria for sampling valuation comparables to the Guangzhou Yapin. We noted that all the Valuation Comparables are listed on the stock exchanges in the PRC and were given to understand that the Valuer has identified no companies listed in Hong Kong which meet all the above selection criteria. We noted that the Valuer has adopted the average Trailing P/E Ratios of the Valuation Comparables of 19.3 times for valuing Guangzhou Yapin. Based on the above, we consider that the selection criteria adopted by the Valuer are fair and reasonable and the Valuation Comparables used are comparable to Guangzhou Yapin.

Discount for lack of marketability and control premium

Since the shares of Guangzhou Yapin are not publicly traded and an active market for the shares does not exist, a discount for lack of marketability of 51.8% was applied in the valuation to discount for lack of ability of converting shares of Guangzhou Yapin into immediate cash. The Valuer considered a discount for lack of marketability of 51.8% was appropriate for the valuation of Guangzhou Yapin, having made reference to a research study sourced from Wind Information Co., Limited, a leading integrated service provider of financial data information software in the PRC domestic market, and CVSource, an online database system of China Venture, a strategy consultancy company in the PRC and a service provider of financial data, information, news, transaction history and research, both of which are leading financial information providers in the PRC. We understand from the Valuer that the research study is a guide commonly used by valuation experts in determining an appropriate discount for lack of marketability in the PRC by comparing the difference between the price-to-earnings ratios of unlisted companies to be acquired and those of the listed companies in similar industries in the PRC. We have reviewed the research report and noted that the discount for lack of marketability of the wood and furniture industry was 51.8%. Given the similarity in the characteristics of lack of marketability of the shares of Guangzhou Yapin and the stocks under the study, we consider that the average discount rate of 51.8% as set out in the study is a valid reference for determining the lack of marketability discount for the shares of Guangzhou Yapin and the discount for lack of marketability applied to the valuation of Guangzhou Yapin is fair and reasonable.

We noted that a control premium of 50.05% was adopted by the Valuer to adjust for the effect of minority interest market value to controlling interest market value. Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise that reflects the power of a control. Since the market multiples adopted in the valuation were derived from public listed companies, which represents minority ownership interest, a control premium was applied to reflect the entire controlling interest in Guangzhou Yapin. The 50.05% control premium was determined by the Valuer with reference to the four most recently published quarterly control premium reports (the "Control Premium Reports"), covering the period from the fourth quarter of 2017 to the third quarter of 2018, published by FactSet Mergerstat, LLC, which is a leading information provider publishing global merger and acquisition information. The Control Premium Reports provide empirical support for quantifying control premiums, implied minority discounts and public company valuation multiples with nearly 19 years of transaction data. We have reviewed the above-mentioned Control Premium Reports and noted that the average percentage premium offered for acquiring a controlling equity interest to that for a minority interest for 206 international transactions, excluding negative premiums, was approximately 50.05% during the period from the fourth quarter of 2017 to the third quarter of 2018.

We have also studied all the valuation reports contained in circulars issued by listed issuers in Hong Kong during the period from 1 September 2018 to the Latest Practicable Date and noted that most of the valuers also referred to the Control Premium Reports with data coverage of one quarter to one year for the control premium adjustments, if such adjustments were made. The valuer responsible for the Valuation Report, who is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore) and has extensive experience in providing a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States, also confirmed us that the adoption of control premium data from the Control Premium Reports covering a period of one year is a commonly accepted approach for business valuations.

Given that (i) the Control Premium Reports are independent research study reports which provide data and statistics on recent merger and acquisition transactions and their data are widely used by professional valuers; (ii) the Valuer has made reference to the latest Control Premium Reports which covered transactions completed in the four quarters immediately before the Acquisition; and (iii) the Valuer has relevant experience and qualifications in applying appropriate control premium adjustments in business valuations, we concur with the view of the Valuer that the average control premium of approximately 50.05% derived from the Control Premium Reports for the period from the fourth quarter of 2017 to the third quarter of 2018 is a valid reference for determining the control premium for the shares of Guangzhou Yapin and the control premium of 50.05% applied to the valuation of Guangzhou Yapin is fair and reasonable.

Assumptions

We have reviewed the general assumptions adopted by the Valuer in valuing Guangzhou Yapin, including (i) the trailing 12-month net profit of Guangzhou Yapin is approximately HK$20.1 million according to its unaudited management accounts as at 30 November 2018; (ii) the projected business can be achieved with the effort of the management of Guangzhou Yapin; (iii) the facilities and systems proposed are sufficient for future expansion; (iv) there will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Guangzhou Yapin; (v) the operational and contractual terms stipulated in the relevant contracts and agreements will be honored; (vi) the operating licenses and company incorporation documents are reliable and legitimate; (vii) the accuracy of the financial and operational information provided are relied to a considerable extent; and (viii) there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. We were satisfied that those assumptions are commonly adopted in valuation of a company and fair and reasonable for the purposes of assessing the market value of Guangzhou Yapin.

Having considered the qualification and experiences of the Valuer in business valuation, the independence of the Valuer and the valuation methodology and basis and assumptions applied by the Valuer, we consider that the methodology and basis for determining the valuation of Guangzhou Yapin by the Valuer is appropriate. In light of the above and the fact that no unusual matters had come to our attention that led us to believe that the valuation of Guangzhou Yapin was not prepared on a reasonable basis, we are of the opinion that the valuation of Guangzhou Yapin is a fair and reasonable benchmark for assessing the Consideration.

Conclusion on Consideration

Having considered that (i) the valuation of Guangzhou Yapin, being the major asset of the Target Group, as at 30 November 2018 was arrived at by an independent professional valuer in compliance with International Valuation Standards on a reasonable basis; and (ii) our workdone performed as set out in the section headed ‘‘Valuation of the Target Group’’ above, including discussions with the Valuer and review of the relevant documents regarding the methodology, valuation multiples, comparables selection criteria, lack of marketability discount and control premium adopted by the Valuer, showed that the valuation was properly conducted, we consider that the value shown in the Valuation Report is a fair and reasonable indication of the market value of the Target Group. As the sum of the Consideration of HK$280 million represents a discount of approximately 0.47% to the valuation of Guangzhou Yapin as at 30 November 2018 of approximately HK$281.2 million as set out in the Valuation Report, we consider that the Consideration is fair and reasonable so far as the independent Shareholders are concerned and on normal commercial terms.

6. Promissory Note

Pursuant to the Agreement, the Purchaser shall issue the Promissory Note in the principal amount of HK$280 million, subject to the Profit Adjustment, to the Vendor on the Completion Date as settlement of the Consideration. The maturity of the Promissory Note shall be five years from the issue date of the Promissory Note (the "Note Issue Date") and bearing interest at (i) 4% per annum before (and excluding) the third anniversary date of the Note Issue Date; and (ii) 7% per annum after (and including) the third anniversary date of the Note Issue Date. The interest payable shall be calculated on a pro rata basis based on the number of days between the Note Issue Date and the date of any repayment made by the Purchaser. The Purchaser may repay or redeem all or part of the amount prior to the maturity date of the Promissory Note with no premium or penalty required. The Purchaser is required to pay the relevant interest accrued when repaying or redeeming all or part of the Promissory Note. The interest rates of the Promissory Note were arrived upon arm's length negotiations between the Purchaser and the Vendor having taken into account (i) the prevailing market interest rates; and (ii) the interest rate quoted from an independent financial institution for debt instruments with similar terms of the Promissory Notes.

As disclosed in the interim report of the Company for the six months ended 30 September 2018, the Group had cash and cash equivalent in the amount of approximately HK$11.2 million only, which is insufficient to settle the Consideration. Given that (i) the issue of the Promissory Note shall avoid any immediate cash outflow by the Group for the Acquisition; (ii) settlement by borrowings might take a longer time to complete due to the uncertainty on negotiations with lenders and a pledge of assets is likely to be requested; and (iii) the issue of consideration shares and/or convertible notes would introduce shareholding dilution to the existing Shareholders, we consider that it is in the interest of the Company to settle the Consideration by issuing the Promissory Note so as to retain sufficient cash resources for its general working capital. We were given to understand that the Company intends to redeem the Promissory Note by internal resources and external borrowing. The Board expected that the scale of the existing custom-made furniture of the Group would increase significantly and there would be a substantial improvement in its financial results and cashflow during the term of the Promissory Note. It was also expected that synergies and economies of scale would be achieved after consolidating the business of the Target Group into the Group which would enable the Enlarged Group to save costs and improve efficiency. Moreover, the Group would consider to obtain a mortgage loan, which is longer term in nature, by pledging its existing investment properties as and when necessary and conduct fund raising activities when the market sentiment is appropriate and the financial performance of the Group is significantly improved.

To evaluate the fairness and reasonableness of the terms of the Promissory Note, we have compared the terms of the Promissory Note with those of other promissory notes issued by companies listed on the Stock Exchange for full/partial settlement of the consideration for acquisitions (the "PN Comparables") during the period from 22 January 2018, being one year immediately preceding the date of the Agreement, to the date of the Agreement (the "PN Comparison Period"). We have identified, on a best effort basis, 21 PN Comparables, which are considered to be exhaustive, for comparison purposes. We consider that the PN Comparison Period is sufficient and representative for comparison purposes as it covers a current period that reveals the prevailing market conditions and sentiments in the Hong Kong stock market and the recent structure of the issues of promissory notes in Hong Kong for settlement of the consideration for acquisitions and contains sufficient samples and information to enable the Shareholders to have a general understanding on the recent transactions regarding issue of promissory notes for settlement of the consideration for acquisitions being conducted in the Hong Kong stock market.

Shareholders should note that the comparison with the PN Comparables is for illustrative purpose only as the principal activities, market capitalization, profitability and financial position of the PN Comparables may be different from those of the Company. All these factors may affect the terms of the promissory notes of the PN Comparables. Despite the aforementioned, since the PN Comparables can provide a general reference of the transactions involving the issue of promissory notes in the Hong Kong stock market for settlement of the consideration for acquisitions, we consider the comparison with the PN Comparables an appropriate basis for assessing the fairness and reasonableness of the terms of the Promissory Note. Moreover, in forming our opinion on the terms of the Promissory Note, we have considered the results of the comparison with the PN Comparables together with other factors stated in this letter as a whole. Details of the PN Comparables are summarized as follow:

Company name (stock code)	Date of announcement (dd/mm/yyyy)	Term to maturity	Average interest rate
			(%)
Enerchina Holdings Limited (622)	25/01/2018	1.4 years*(Note 2)*	0.0
Risecomm Group Holdings Limited (1679)	12/02/2018	1 year	8.0
Sincere Watch (Hong Kong) Limited (444)	13/02/2018	2 years	0.0
Risecomm Group Holdings Limited (1679)	15/03/2018	1 year	0.0
China Trends Holdings Limited (8171)	25/05/2018	3 years	0.0
Kiu Hung International Holdings Limited (381)	19/06/2018	1 year	0.0
Trigiant Group Limited (1300)	24/07/2018	1.4 years*(Note 3)*	10.0
China Agroforestry Low-Carbon Holdings Limited (1069)	13/08/2018	2 years	5.0
Wealthy Way Group Limited (3848)	22/08/2018	5 years	3.5

Company name (stock code)	Date of announcement (dd/mm/yyyy)	Term to maturity	Average interest rate (%)
China Sandi Holdings Ltd. (910)	21/09/2018	5 years	4.2 (Note 4)
Food Idea Holdings Limited (8179)	22/10/2018	2 years	4.0
LT Commercial Real Estate Limited (112)	23/10/2018	0.5 year	6.0
Earthasia International Holdings Ltd. (6128)	24/10/2018	4 years	2.0
Thiz Technology Group Limited (8119)	26/10/2018	3 years	3.0
EFT Solutions Holdings Ltd. (8062)	13/11/2018	4 years	4.0
Madison Holdings Group Ltd. (8057)	20/11/2018	3 years	0.0
Tongguan Gold Group Limited (340)	04/12/2018	3 years	0.0
China City Infrastructure Group Ltd. (2349)	03/01/2019	3 years	3.0
Computer And Technologies Holdings Limited (46)	03/01/2019	3 years	5.0
CIL Holdings Limited (479)	14/01/2019	5 years	3.2 (Note 5)
Ming Lam Holdings Limited (1106)	17/01/2019	2 years	2.0
	Minimum	0.5 year	0.0
	Maximum	5 years	10.0
	Average		3.0
The Company (8101)		**5 years**	**5.2** (Note 1)

Source: the website of the Stock Exchange

Notes:

1. Since the interest rates of the Promissory Note are 4% for the first three years and 7% for the fourth and fifth years with an average interest rate of 5.2%, average interest rates of the PN Comparables are used for comparison purpose.

2. The maturity date of the promissory note in respect of Enerchina Holdings Limited is 30 June 2019.

3. The maturity date of the promissory note in respect of Trigiant Group Limited is 31 December 2019.

4. The interest rates of the promissory note in respect of China Sandi Holdings Limited are 3% for the first two years, 4.5% for the third and fourth years and 6% for the fifth years, with an average interest rate of 4.2%.

5. The interest rates of the promissory note in respect of CIL Holdings Limited is 0% for the first year and 4% for the second to the fifth years, with an average interest rate of 3.2%.

As set out in the above table, the term to maturity of the PN Comparables ranged from 0.5 years to 5 years and the term to maturity of the Promissory Note of 5 years falls within the range of the PN Comparables. It is noted that the average interest rates of the PN Comparables were in the range of nil and 10.0% per annum with an average of approximately 3.0%. The average interest rate of the Promissory Note of 5.2% per annum falls within the range of the PN Comparables but is higher than the average interest rate of the PN Comparables.

We noted from the interim report of the Company for the six months ended 30 September 2018 that the Group's other borrowings were bearing a fixed interest rate of 5.49% per annum. Moreover, we have reviewed the facility letter for a loan facility of HK$150 million provided by an independent financial institution to the Company and noted that such loan bears an interest rate of 7% per annum and is secured by a pledge of a property owned by the Group.

Given that (i) the interest rate and the term to maturity of the Promissory Note fall within the range of those of the PN Comparables; (ii) the average interest rate of the Promissory Note is lower than the current financing cost of the Company; (iii) the early repayment option of the Promissory Note provides the Group with flexibility in utilizing its internal resources; and (iv) we are not aware of any term of the Promissory Note which is uncommon in normal market practice, we consider that the terms of Promissory Note are on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned.

7. Profit Guarantee

Pursuant to the Agreement, the Vendor irrevocably warrants and guarantees that: (i) the 2019 Actual Performance shall be not less than RMB20 million; (ii) the 2020 Actual Performance shall be not less than RMB25 million; and (iii) the 2021 Actual Performance shall be not less than RMB40 million.

If the 2019 Performance Target is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser in accordance with the Promissory Note of the value of the 2019 Profit Adjustment and the relevant interest accrued. The 2019 Profit Adjustment is calculated as follow:

$$\text{HK\$280 million} \times \frac{(\text{2019 Performance Target} - \text{2019 Actual Performance})}{(\text{2019 Performance Target} + \text{2020 Performance Target} + \text{2021 Performance Target})}$$

If the 2020 Performance Target is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser in accordance with the Promissory Note of the value of the 2020 Profit Adjustment and the relevant interest accrued. The 2020 Profit Adjustment is calculated as follow:

$$\text{HK\$280 million} \times \frac{\text{(2020 Performance Target – 2020 Actual Performance)}}{\text{(2019 Performance Target + 2020 Performance Target + 2021 Performance Target)}}$$

If the 2021 Performance Target is not met, the Vendor shall surrender to the Purchaser the amount payable by the Purchaser in accordance with the Promissory Note of the value of the 2021 Profit Adjustment and the relevant interest accrued. The 2021 Profit Adjustment is calculated as follow:

$$\text{HK\$280 million} \times \frac{\text{(2021 Performance Target – 2021 Actual Performance)}}{\text{(2019 Performance Target + 2020 Performance Target + 2021 Performance Target)}}$$

In any event, the sum of all Profit Adjustments shall not be higher than HK$280 million and the Vendor is not obligated to compensate the Purchaser for such shortfall. For the avoidance of doubt, (i) all Profit Adjustments shall be calculated separately and independently; and (ii) if the Actual Performance is in excess of Performance Target in any particular Performance Undertaking Year, the excess cannot be used to offset the Profit Adjustment in another Performance Undertaking Year.

As disclosed in the Letter from the Board, the 2019 Performance Target was determined by combining the net profit of the Target Group for the eight months ended 30 November 2018 and the estimated results of the Target Group for the four months ending 31 March 2019, which were projected based on the sales contracts on hand and the delivery schedule of the Target Group's products. The increases in 2020 Performance Target and 2021 Performance Target are expected to be attributable to (i) the business plan of the Target Group, details of which are set out in the section headed "Information of the Target Group" in the Letter from the Board; (ii) the further development of the Target Group's sales network and brand-building which lead to increase in revenue attributed to the wholesale and retail segments; and (iii) the decrease in cost resulting from economies of scale upon Completion.

We have reviewed the calculation of the 2019 Performance Target, the management accounts of the Target Group for the eight months ended 30 November 2018 and the Target Group's sales contracts on hand. We have also discussed the business plan, marketing and brand-building strategies of the Target Group with its management. Based on the above, we are satisfied that the Performance Targets have been projected after due and careful enquiry.

Given that the profit guarantee arrangement provides a compensation to the Purchaser in the event that the Target Group is under-performed, we consider that the profit guarantee arrangement is fair and reasonable so far as the independent Shareholders are concerned.

8. Financial effects of the Acquisition

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and their assets, liabilities and financial results will be consolidated into the consolidated financial statements of the Group. The financial effects of the Acquisition on the Group's earnings, cashflow, net asset value and gearing are set out below. However, it should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group would be upon Completion.

Earnings

Had the Acquisition been completed on 1 April 2017, the loss of the Group attributable to the owners of the Company for the year ended 31 March 2018 would have decreased as the Target Group recorded net profit of approximately HK$0.8 million for the year ended 31 March 2018.

After Completion, the Group shall incur additional interest expense of approximately HK$11.2 million per annum during the first three years and approximately HK$19.6 million per annum for the fourth and fifth year as a result of the issuance of the Promissory Note. However, such interest expense is expected to be offset by the profit to be contributed by the Target Group, which is expected to be not less than RMB20 million, RMB25 million and RMB40 million for the first three years after Completion respectively.

Cashflow

The Consideration of HK$280.0 million shall be settled by way of issue of the Promissory Note. Therefore, the Group shall have no immediate cash outflow for the Acquisition, save for the transaction costs such as legal and professional fees.

Net asset value

According to the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular, had the Acquisition been completed on 30 September 2018, both the total assets and total liabilities of the Group would have increased by approximately HK$327.9 million. Therefore, there would be no effect on the net asset value of the Group had the Acquisition been completed on 30 September 2018.

Gearing

Having considered the effects of the Acquisition on the total assets and total liabilities of the Group as mentioned above, the gearing of the Group, as expressed in the ratio of total liabilities to total assets, would have increased from 0.50 to 0.67 had the Acquisition been completed on 30 September 2018.

Based on the above analysis, we noted that the Acquisition would have a positive effect on the earnings of the Group but a negative effect on the gearing of the Group. Meanwhile, the cash position and net asset value of the Group would not be materially affected. Having considered the reasons and benefits of the Acquisition and the fairness and reasonableness of the Consideration, we are of the view that the adverse financial impact of the Acquisition to the Group in respect of the gearing is commercially justifiable.

RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that the terms of the Agreement are fair and reasonable so far as the independent Shareholders are concerned, the transactions contemplated under the Agreement are on normal commercial terms and in the interests of the Company and Shareholders as a whole although the Acquisition is not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the independent Shareholders, as well as the independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang	**Helen Fan**
Managing Director	*Associate Director*

Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activities and has approximately 14 years of experience in corporate finance.

2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activities and has approximately 10 years of experience in corporate finance.

1. FINANCIAL SUMMARY OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 March 2018 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2018, together with the relevant notes thereto are disclosed in the relevant annual reports and interim report of the Company which have been published and are available on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.ejeliving.com). Quick links to the annual reports and the interim report are set out below:

The audited consolidated financial statement of the Group for the year ended 31 March 2016 has been set out in pages 33 to 87 of the annual report 2016 of the Company which was posted on 28 June 2016 on the Stock Exchange's website
(http://www.hkexnews.hk/listedco/listconews/GEM/2016/0628/GLN20160628039.pdf).

The audited consolidated financial statement of the Group for the year ended 31 March 2017 has been set out in pages 40 to 104 of the annual report 2017 of the Company which was posted on 29 June 2017 on the Stock Exchange's website
(http://www.hkexnews.hk/listedco/listconews/GEM/2017/0629/GLN20170629283.pdf).

The audited consolidated financial statement of the Group for the year ended 31 March 2018 has been set out in pages 40 to 102 of the annual report 2018 of the Company which was posted on 28 June 2018 on the Stock Exchange's website
(http://www.hkexnews.hk/listedco/listconews/GEM/2018/0628/GLN20180628075.pdf).

The unaudited condensed consolidated financial statement of the Group for the six months ended 30 September 2018 has been set out in pages 6 to 35 of the interim report 2018 of the Company which was posted on 13 November 2018 on the Stock Exchange's website
(http://www.hkexnews.hk/listedco/listconews/GEM/2018/1113/gln20181113247.pdf).

2. STATEMENT OF INDEBTEDNESS

Indebtedness

At the close of business on 31 January 2019, being latest practicable date prior to this circular for ascertaining certain information relating to the indebtedness statement, the indebtedness of the Enlarged Group was as follows:

Bank and other borrowings

The Enlarged Group had an outstanding principal bank borrowings of approximately HK$35.1 million which was guaranteed by a former subsidiary of the Company, and secured by the lease hold land and building held by a former subsidiary, interest rate at LIBOR plus 1.1375% per annum and repayable within one year.

Convertible bonds

The Enlarged Group had outstanding principal of convertible bonds of approximately HK$212.0 million, which is unsecured, interest-free and the maturity date is on 1 August 2020.

Promissory notes

The Enlarged Group had outstanding principal of promissory notes of approximately HK$280.0 million, which is unsecured, charged at interest rate of 4% per annum before the third anniversary date of the issue date of the promissory note (the "Note Issue Date") and 7% per annum after the third anniversary date of Note Issue Date and the maturity date is five years from the Note Issue Date.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of the borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at 31 January 2019.

Save as aforementioned in this indebtedness statement, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 January 2019, up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the completion of the Acquisition, the financial resources available to the Enlarged Group including the internally generated funds and the present available bank facilities, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, the date to which the latest published audited financial information of the Group were made up.

5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 March 2018, being the date to which the latest published audited accounts of the Company were made up, no member of the Group has acquired or agreed to be acquired or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Company.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group continues to engage in five business segments, namely (i) manufacture of custom-made furniture; (ii) design, manufacture and sale of mattress and soft bed products; (iii) property investment; (iv) securities investment; and (v) money lending.

For the six months ended 30 September 2018, the Group achieved a dramatic growth in sales revenue. The revenue of the Group increased by approximately HK$32.3 million, representing an increase of approximately 80.9% as compared to the same period in the previous year. The increase was primarily due to strong performance in the custom-made furniture business segment. As a result, the Group's net loss decreased significantly by approximately HK$82.2 million, representing a decrease of approximately 93.1% as compared to the same period in the previous year.

The Target Group is principally engaged in manufacture, wholesale and retail of custom-made furniture in the PRC under the brand name "壹家壹品". The Directors believe that the business of the Target Group has great potential for the Group to expand its retail network and tap into the wholesale market of custom-made furniture market. Meanwhile, the Acquisition can also create synergy with the Group's existing business by expanding the sales network and centralising the supply chain of the Group's products. With the Designer-X of the Target Group, the Group can consolidate and integrate its resources with those under the Target Group on the platform, in particular the customer and interior designer bases, to enhance the overall efficiency of the design and production flow of the Group. In view of the benefits brought to the Group as aforesaid, the Directors are of the view that the performance of the Group's existing custom-made furniture business segment is expected to improve after the Completion.

Reference is made to the interim report of the Company for the six months ended 30 September 2018, the Group has shifted its business focus away from the mattress and soft bed products sales and reduced the scale of mattress and soft bed product sales' operation. The mattress and soft bed business is already in the process of wrapping up.

As at the Latest Practicable Date and other than the Sale Shares, the Enlarged Group has not currently identified any specific potential investment target and has no intention to expand or downsize its operation in property investment, securities investment; and money lending.

The following is the text of a report set out on pages II-1 to II-28, received from the Company's reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EJE (HONG KONG) HOLDINGS LIMITED

Introduction

We report on the historical financial information of Green Step Investments Limited (the "Target Company") and its subsidiaries (the "Target Group") set out on pages II-4 to II-27, which comprises the consolidated statement of financial position as at 31 March 2018 and 30 September 2018, the consolidated statements of comprehensive income, the statements of changes in equity and the statements of cash flows for year ended 31 March 2018 and the six months ended 30 September 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-27 forms an integral part of this report, which has been prepared for inclusion in the circular of EJE (Hong Kong) Holdings Limited (the "Company") dated 28 March 2019 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in page II-4 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in page II-4 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Group as at 31 March 2018 and 30 September 2018, and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation and preparation set out in note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2017 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in page II-4 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent

Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in page II-4 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements of the Target Company as defined on page II-1 have been made.

Dividends

We refer to note III to the Historical Financial Information which contains information about the dividends paid by entities comprising the Target Company in respect of the Relevant Periods and states that no dividend was declared or paid by the Target Company since the date of its incorporation.

Elite Partners CPA Limited
Certified Public Accountants

Siu Jimmy
Practising Certificate number: P05898
Hong Kong, 28 March 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA and were audited by Elite Partners CPA Limited, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (''Underlying Financial Statements'').

The Historical Financial Information is presented in Hong Kong Dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the year ended 31 March 2018 HK$'000	For the six months ended 30 September 2017 HK$'000 (Unaudited)	For the six months ended 30 September 2018 HK$'000
Revenue	6	18,713	—	68,967
Cost of sales		(15,582)	—	(43,958)
Gross profit		3,131	—	25,009
Other income	7	644	—	54
Selling and distribution expenses		(393)	—	(1,533)
Administrative expenses		(2,240)	(313)	(3,723)
Profit/(loss) before tax	8	1,142	(313)	19,807
Income tax expenses	9	(322)	—	(4,953)
Profit/(loss) for the period/year		820	(313)	14,854
Other comprehensive that may be reclassified subsequently to profit or loss				
Exchange difference arising on translation of financial statements of foreign operations		51	10	(701)
Total comprehensive income/ (expenses) for the period/year		871	(303)	14,153

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE TARGET GROUP
AS AT 31 MARCH 2018 AND 30 SEPTEMBER 2018

	Note	As at 31 March 2018 HK$'000	As at 30 September 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	533	7,435
Total non-current assets		533	7,435
Current assets			
Inventories	12	1,639	4,376
Trade and other receivables	13	33,314	74,748
Cash and cash equivalents	14	167	262
Total current assets		35,120	79,386
Current liabilities			
Trade and other payable	15	34,399	67,054
Amount due to a director		58	58
Tax payables		325	4,685
Total current liabilities		34,782	71,797
Net current assets		338	7,589
Total assets less current liabilities		871	15,024
NET ASSETS		871	15,024
EQUITY			
Share capital	16	—	—
Reserves		871	15,024
TOTAL EQUITY		871	15,024

Approval and authorised for issue by the board of directors on 28 March 2019.

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY
AS AT 31 MARCH 2018 AND 30 SEPTEMBER 2018

	As at 31 March 2018 *HK$*	As at 30 September 2018 *HK$*
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	1	1
Current assets		
Other receivables	8	8
Current liabilities		
Other payable	1	1
Net current assets	7	7
Total assets less current liabilities	8	8
NET ASSETS	8	8
EQUITY		
Share capital	8	8
Reserve	—	—
TOTAL EQUITY	8	8

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET GROUP

FOR THE YEAR ENDED 31 March 2018 AND SIX MONTHS ENDED 30 SEPTEMBER 2018

	Paid-up capital	**Surplus reserves**	**Exchange reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 17 March 2017 (date of establishment)	*	—	—	—	—
Profit and total comprehensive income for the period	—	—	51	820	871
Transfer to surplus reserve	—	14	—	(14)	—
At 31 March 2018 and 1 April 2018	*	14	51	806	871
Profit and total comprehensive income for the year	—	—	(701)	14,854	14,153
At 30 September 2018	*	14	(650)	15,660	15,024

* Amount less than HK$1,000

CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE TARGET GROUP
FOR THE YEAR ENDED 31 MARCH 2018 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	For the year ended 31 March	For the six months ended 30 September	
	2018	2017	2018
	HK$'000	HK$'000 (Unaudited)	HK$'000
Cash flow from operating activities			
Profit before income tax	1,142	(313)	19,807
Adjustments for:			
Depreciation of property, plant and equipment	7	—	484
Target profit before working capital changes	1,149	(313)	20,291
Increase in inventories	(1,639)	—	(2,737)
Increase in trade and other receivables	(33,314)	(4,455)	(41,534)
Increase in trade and other payables	34,399	4,847	32,455
Increase in amount due to a director	58	58	—
Net cash used in/generated from operating activities	653	137	8,475
Tax paid	—	—	(593)
	653	137	7,882
Cash flows from investing activities			
Purchase of property, plant and equipment	(510)	—	(7,736)
Net cash used in investing activities	(510)	—	(7,736)
Net increase/decrease in cash and cash equivalents	143	137	146
Cash and cash equivalents at the beginning of the year	—	—	167
Exchange difference	24	9	(51)
Cash and cash equivalents at the end of the year, represented by cash and bank balances	167	146	262

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE TARGET GROUP

Green Step Investments Limited (the "Target Company") was incorporated in the on 13 February 2017 as a limited liability company. The address of the registered office of the Target Company is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands The principal activity of the Target Company is investment holding. The activities of the subsidiaries are set out in note 17. The Historical Financial Information is presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information during the Relevant Periods, the Target Group has consistently applied all of the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective for the financial year beginning on 1 January 2018 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 19 (Amendments)	Plan amendment, curtailment or settlement[1]
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over income tax treatments
HKFRS 17	Insurance contracts
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture
Amendments to HKFRS	Annual improvements to HKFRS 2015–2017 cycle

Note:

(1) Effective for the Target Company for annual period beginning on 1 January 2019.

(2) Effective for the Target Company for annual period beginning on 1 January 2021.

(3) Effective date to be determined.

The directors of the Target Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact of the results and the financial position of the Target Group.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the lessee's balance sheet, as the distinction between Target and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Target Group's operating leases. As at 31 March 2018 and 30 September 2018, the Target Group has non-cancellable Target lease commitments of HK$106.7 million and HK$95.5 million, respectively. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future Target lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the statement of financial position. Target expenses under otherwise identical circumstances will decrease, and depreciation, amortisation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right of use assets and lease liabilities.

Other than the increase in assets and financial liabilities in the statements of financial position and the financial performance impact in the statements of comprehensive income as mentioned above, the directors of the Target Company expect that the adoption of HKFRS 16 will not have a significant impact on the financial position and financial performance of the Target Company. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

Date of adoption by Target Company

Mandatory for financial years commencing on or after 1 January 2019. Management expects the adoption should have no material impact to the Target Company.

All effective standards, amendments to standards and interpretations, including HKFRS 9 and HKFRS 15, which are mandatory for the financial year beginning 1 January 2018 are consistently applied to the Target Group for the year ended 31 March 2018 and the six months ended 30 September 2018.

There are no other standards that are not yet effective and that are expected to have a material impact on the Target Company in the current or future reporting periods and on any foreseeable future transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for goods and 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 Target Group takes into account the characteristic 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 the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 ''Leases'', 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''. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. 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, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company (i.e. its subsidiary). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the Historical Financial Information for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the Historical Financial Information to ensure conformity with the Target Group's accounting policies.

Control is achieved where the Target Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Target Group's returns. When the Target Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Target Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Target Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Target Group obtains control of the subsidiary and cease when the Target Group loses control of the subsidiary.

Income and expenses of a subsidiary are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries are attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Target Group are eliminated in full on consolidation.

3.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Target Group are measured using the currency of the primary economic environment in which the Target Group operates (the "functional currency"). The financial statements are presented in HK$, which is the Target Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

3.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged in profit or loss during the Relevant Periods in which they are incurred.

When the leases are classified as operating leases, the premiums paid to acquire leasehold land and prepaid land lease payments are recorded as prepayment for operating lease, and are amortised on a straight-line basis over the period of the leases and prepaid land lease payments. Where there is impairment, the impairment is expensed immediately in profit or loss.

When the leases are classified as finance leases, the land interest is accounted for as below:

- If the related property interest is held for own use, that land interest is accounted for as property, plant and equipment.

- If the related property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as an investment property.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5 years or over the lease term, whichever is shorter
Plant and machinery	3 years
Fixtures, furniture and office equipment	4 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "Other income" in the statement of comprehensive income.

3.4 Financial assets

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

- *Fair value through other comprehensive income ("FVOCI"):* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other income". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other income".

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within "Other income" in the period in which it arises.

Equity instruments

The Target Group subsequently measures all equity investments at fair value. Where the Target Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Target Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Target Company has types of financial assets subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods; and
- other receivables

The Target Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.l(a) details how the Target Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Target Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.5 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.6 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal Target cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are shown in current liabilities.

3.8 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal Target cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.9 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the country where its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.10 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future Target losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Target Group as lessee are classified as Target leases. Payments made under Target leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3.12 Revenue and income recognition

Sales of goods

The Target Group manufactures and sells of furniture. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesalers/customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesalers/customers, and either the wholesalers/customers have accepted the products in accordance with the sales contract, or the Target Group has objective evidence that all criteria for acceptance have been satisfied.

Cash or bank acceptance notes collected from certain wholesalers/customers before product delivery is recognised as contract liabilities.

Interest income is recognised on a time-proportion basis using the effective interest method.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Target Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

Risk management is carried out by management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as credit risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Target Group.

(a) Credit risk

The Target Group is exposed to credit risk in relation to its trade and other receivables and cash at bank and on hand. The carrying amounts of trade and other receivables and cash at bank and on hand represent the Target Group's maximum exposure to credit risk in relation to financial assets.

The Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Target Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Target Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Target Group and changes in the operating results of the customer.

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience. The directors of the Target Company believe that there is no material credit risk inherent in the Target Group's outstanding balance of deposits and other receivables.

Cash is deposited in financial institutions with high credit quality and the Target Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

(b) Liquidity risk

The Target Group measures and monitors its liquidity through the maintenance of prudent ratios on the liquidity structure of the overall assets, liabilities, loans and commitments of the Target Group. The Target Group also maintains a healthy level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business.

The table below analyses the Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity dates. The amounts disclosed in the table below are the contractual undiscounted cashflows.

	On demand	Less than 1 year	More than 1 year but within 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018				
Trade and other payables	—	34,399	—	34,399
Amount due to a director	58	—	—	58

	On demand	Less than 1 year	More than 1 year but within 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2018				
Trade and other payables	—	67,054	—	67,054
Amount due to a director	58	—	—	58

4.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, management of the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors the Target Group's capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash at bank and on hand. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31 March 2018 and at 30 September 2018 are as follows:

	At 31 March 2018	At 30 September 2018
	HK$'000	*HK$'000*
Amount due to a director	58	58
Less: Cash at bank and on hand	(167)	(262)
Net liabilities	N/A	N/A
Total equity	871	15,024
Total capital	871	15,024
Gearing ratio	N/A	N/A

4.3 Fair value estimation

(a) Financial asset

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Target Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level as follows:

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Target Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for impairment of trade receivables

For trade receivables, the Target Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. Management's judgement is involved in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4.1 (a).

(b) Estimated write-downs of inventories to net realisable value

The Target Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of inventories in the period in which such estimates have been changed.

(c) Income taxes

The Target Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. SEGMENT INFORMATION

The Target Group's operating segment is manufacturing and sells of furnitures. Since this is the only operating segment of the Target Group, no further analysis thereof is presented. The Target Group's operation and operating assets are substantially located in the PRC. Accordingly, no geographical segment information is presented.

Geographical information

The Target Group's revenue are all derived from the PRC based on the location of goods delivered and all of the Target Group's non-current assets are located in the PRC by physical location of assets.

Revenue from major customers

No revenue is derived from a single customer of the Target Group which amounted for over 10% of the Target Group's total revenue.

7. OTHER INCOME

	For the year ended 31 March	**For the six months ended 30 September**	
	2018	**2017**	**2018**
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	1	—	1
Sundry income	643	—	53
	644	—	54

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the year ended 31 March	For the six months ended 30 September	
	2018	2017	2018
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*
Auditor's remuneration	2	—	—
Staff costs			
— Salaries, wages and other benefits	746	79	2,253
— Contributions to defined contribution retirement schemes	57	1	170
Depreciation of property, plant and equipment	7	—	482
Rental expenses in respect of office premises	—	—	1,579
Cost of inventories	15,582	—	43,958

9. INCOME TAX

(a) Income tax in the statements of profit or loss and other comprehensive income represents:

	For the year ended 31 March	For the six months ended 30 September	
	2018	2017	2018
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*
Current tax			
Provision for the period	322	—	4,953

Pursuant to the rules and regulations of the BVI, the Target Company is not subject to any income tax in the BVI.

The PRC subsidiary are subject to the China Corporate Income Tax ("CIT") at a rate of 25% for the year ended 31 March 2018 and the six months ended 30 September 2018.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	For the year ended 31 March	For the six months ended 30 September	
	2018	2017	2018
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation	1,142	(313)	19,807
Notional tax on profit before taxation, calculated at 25%	285	(53)	4,952
Effect of income not taxable	(1)	(1)	—
Effect of expenses not deductible	38	54	1
Actual tax expense	322	—	4,953

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

During the Relevant Periods, the remuneration paid or payable to the Directors was as follows:

For the year ended 31 March 2018:

	Fees	Salaries, allowance ad benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chang Tin Duk, Victor	—	—	—	—	—

For the six months ended 30 September 2018:

	Fees	Salaries, allowance ad benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chang Tin Duk Victor	—	—	—	—	—

For the six months ended 30 September 2017: (Unaudited)

	Fees	Salaries, allowance ad benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chang Tin Duk Victor	—	—	—	—	—

During the Relevant Periods, there was no amount paid or payable by the Target Group to the directors or any of the five highest paid individuals as set out below as an inducement to join or upon joining the Target Group or as compensation for loss of office. And there was no arrangement under which a director has waived or agreed to waive any remuneration during the Relevant Periods.

Five highest paid individuals

Details of remuneration of the five highest paid individuals for the year ended 31 March 2018 and the six months ended 30 September 2017 and 2018 are as follows:

	For the year ended 31 March	For the six months ended 30 September	
	2018	2017	2018
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowance ad benefits in kind	248	46	313
Retirement benefits scheme contributions	18	3	12
	266	49	325

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixture *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
COST:					
At 1 April 2017	—	—	—	—	—
Addition	—	352	158	—	510
Exchange realignment	—	21	10	—	31
At 31 March 2018	—	373	168	—	541
Addition	3,560	3,843	71	262	7,736
Exchange realignment	(149)	(193)	(18)	(11)	(371)
At 30 September 2018	3,411	4,023	221	251	7,906
ACCUMULATED DEPRECIATION:					
At 1 April 2017	—	—	—	—	—
Provided for the year	—	7	—	—	7
Exchange realignment	—	1	—	—	1
At 31 March 2018	—	8	—	—	8
Provided for the period	316	119	39	10	484
Exchange realignment	(13)	(6)	(1)	(1)	(21)
At 30 September 2018	303	121	38	9	471
NET CARRYING AMOUNT:					
30 September 2018	3,108	3,902	183	242	7,435
31 March 2018	—	365	168	—	533

12. INVENTORIES

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
Raw material	1,639	1,583
Work in progress	—	626
Finished goods	—	2,167
	1,639	4,376

13. TRADE AND OTHER RECEIVABLES

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
Trade receivables	23,020	66,950
Prepayment, deposit and other receivables	10,294	7,798
	33,314	74,748

The credit period granted to the Target Group's trade customers generally ranges from 0 days to 180 days for the year ended 31 March 2018 and the six months ended 30 September 2018. The ageing analysis of trade receivables presented based on the invoice dates, which approximate the respective revenue recognition dates, at the end of the respective reporting periods, which is as follows:

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
0 to 90 days	23,020	31,297
Over 90 days	—	35,653
	23,020	66,950

Upon the application of HKFRS 9 on 1 April 2017, the Target Group applied simplified approach to provide for ECL prescribed by HKFRS 9. The management of the Target Group assessed the ECL for trade receivables individually at the end of reporting period. No impairment allowance for trade receivables were provided since the loss given default and exposure at default are low based on historical credit loss experience. The management has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there has been no significant increase in credit risk.

The carrying amounts of deposits and other receivables approximated their fair values due to their short maturity at the reporting date. For the year ended 31 March 2018 and the six months ended 30 September 2017 and 2018, there was no provision for impairment on these receivables.

The maximum exposure to credit risk as of the reporting date was the carrying value of each type of receivables mentioned above. The Target Group did not hold any collateral as security as of each reporting date.

The carrying amounts of the Target Group's trade and other receivables are denominated in RMB.

14. CASH AND BANK BALANCES

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
Cash at bank	65	171
Cash on hand	102	91
	167	262

Cash and bank balances are denominated in RMB.

15. TRADE AND OTHER PAYABLES

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
Trade payables	21,068	43,253
Accruals and other payables	13,331	23,801
	34,399	67,054

Majority of payment terms with suppliers are within 60 days. The carrying amounts of trade and other payables approximate their fair values. As at 31 March 2018 and 30 September 2018, the aging analysis of the trade payable of the Target Group by invoice date is as follows:

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
0 to 90 days	21,068	19,135
Over 90 days	—	24,118
	21,068	43,253

The carrying amounts of the Target Group's trade and other payables are denominated in RMB.

16. SHARE CAPITAL

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
Ordinary share issued and fully paid: 1 share of US$1 each	*	*

* Amount less than HK$1,000

17. PARTICULARS OF SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Target Company 31 March 2018 Direct	31 March 2018 Indirect	30 September 2018 Direct	30 September 2018 Indirect	Principal activities
Digit Dragon Limited	Hong Kong	HK$1	100%	—	100%	—	Investment holding
Regal Leader (Hong Kong) Limited	Hong Kong	HK$1	—	100%	—	100%	Investment holding
深圳市前海緯龍科技有限公司 (Shenzhen Qianhai Weilong Technology Limited Company)	The PRC	RMB10,000,000	—	100%	—	100%	Investment holding
廣州雅品家具科技有限公司 (Guangzhou Yapin Furniture Technology Limited Company)	The PRC	RMB105,000	—	100%	—	100%	Manufacture, wholesale and retail of custom-made furniture in the PRC

18. COMMITMENTS

Commitments under operating leases as lessee

The Target Group had future aggregate minimum lease payments under various non-cancellable operating leases as follows:

	At 31 March 2018 *HK$'000*	At 30 September 2018 *HK$'000*
Not later than one year	6,096	6,293
Later than one year but not later than five years	34,350	32,164
Over five years	66,234	57,035
	106,680	95,492

19. CONTINGENT LIABILITIES

The Target Group did not have material contingent liabilities as at 31 March 2018 and 30 September 2018.

III SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 30 September 2018.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
EJE (Hong Kong) Holdings Limited
Room 2301, 23rd Floor
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of EJE (Hong Kong) Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2018 and related notes as set out in Appendix III of the circular dated 28 March 2019 issued by the Company (the "Circular") (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 100% equity interest of Green Step Investments Limited (the "Target Company") and its subsidiaries (the "Target Group") (the "Acquisition") on the Group's financial position as at 30 September 2018 as if the Acquisition had taken place at 30 September 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim report for the six months ended 30 September 2018 as set out in the published interim report of the Company dated 13 November 2018. Information about Target Group's financial position has been extracted by the Directors from the audited financial information of the Target Group as at 30 September 2018 as set out in its accountants' report included in Appendix II to the Circular.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

— the related pro forma adjustments give appropriate effect to those criteria; and

— the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2019

Siu Jimmy
Practising Certificate Number: P05898

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities (the ''Unaudited Pro Forma Financial Information'') of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating the effects of the completion of the proposed acquisition of 100% equity interest of Green Step Investments Limited (the ''Target Company'') and its subsidiaries (the ''Target Group'') (the ''Acquisition'') on the historical consolidated statement of assets and liabilities of the Group, as if the Acquisition had been effected on 30 September 2018.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2018, which has been extracted from the Group's published interim report for the six months ended 30 September 2018; and the audited consolidated statement of financial position of the Target Group as at 30 September 2018 which has been extracted from the accountants' report of the Target Group set out in Appendix II to this Circular; and after taking into account the pro forma adjustments relating to the Acquisition as described in the notes thereto, that are (i) clearly shown and explained; (ii) directly attributable to the Acquisition and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Acquisition had been effected on 30 September 2018.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition and does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been effected on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group after the completion of Acquisition.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this Circular, the accountants' report of the Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	The Group as at 30 September 2018 (unaudited)	The Target Group as at 30 September 2018 (audited)	Subtotal	Pro forma adjustment	Notes	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets						
Property, plant and equipment	19,652	7,435	27,087			27,087
Prepayment	13,435	—	13,435			13,435
Investment properties	262,800	—	262,800			262,800
Goodwill	135,488	—	135,488	127,316	*4*	262,804
Intangible assets	67,760	—	67,760	113,781	*4*	181,541
Interest in an associate	10,186	—	10,186			10,186
Total non-current assets	509,321	7,435	516,756			757,853
Current assets						
Inventories	7,691	4,376	12,067			12,067
Financial assets at fair value through profit or loss	15,872	—	15,872			15,872
Trade and other receivables	69,555	74,748	144,303			144,303
Loan receivables	10,000	—	10,000			10,000
Convertible bonds receivables	10,557	—	10,557			10,557
Cash and cash equivalents	11,161	262	11,423			11,423
Total current assets	124,836	79,386	204,222			204,222
Total assets	634,157	86,821	720,978			962,075
Current liabilities						
Trade and other payables	47,193	67,112	114,305			114,305
Bank and other borrowings	34,177	—	34,177			34,177
Tax payables	7,868	4,685	12,553			12,553
Convertible bonds	204,001	—	204,001			204,001
Total current liabilities	293,239	71,797	365,036			365,036
Net current asset/(liabilities)	(168,403)	7,589	(160,814)			(160,814)
Total assets less current liabilities	340,918	15,024	355,942			597,039

	The Group as at 30 September 2018 (unaudited) *HK$'000*	The Target Group as at 30 September 2018 (audited) *HK$'000*	Subtotal *HK$'000*	Pro forma adjustment *HK$'000*	*Notes*	Enlarged Group *HK$'000*
Non-current liabilities						
Deferred tax liabilities	22,563	—	22,563	28,445	*4*	51,008
Promissory note	—	—	—	227,676	*3, 4*	227,676
Total non-current liabilities	22,563	—	22,563			278,684
Total liabilities	315,802	71,797	387,599			643,720
Net assets	318,355	15,024	333,379			318,355

C. NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2018 is extracted, without adjustments, from the published interim report of the Company for the six months ended 30 September 2018.

2. The audited consolidated statement of assets and liabilities of the Target Group as at 30 September 2018 is extracted from the accountants' report on the Target Group as set out in Appendix II ("Accountants' Report") to the Circular.

3. The adjustment reflects the consideration for the Acquisition to be satisfied by the Company amounted to approximately HK$280,000,000. Pursuant to the Agreement, the consideration for the Acquisition would be satisfied by issuance of promissory note. The assumed fair value of promissory note for the acquisition is HK$227,676,000, which represents the carrying value of the promissory note carried at fair value and is calculated using the effective interest method by discounting estimated future cash flows at an effective interest rate of 10.58% which consist of risk free rate, liquidity premium and option adjusted spread of comparable bonds by using the Build-up Model. On Completion, the fair value of promissory note will have to be reassessed based on upcoming conditions at the date of Completion.

4. The identified assets and liabilities of the Target Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 Business Combinations ("HKFRS 3"). For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the Directors' estimates of the fair values of the identified assets and liabilities of the Target Group as at 30 September 2018, calculated as follows:

	Note	*HK$'000*
Consideration so determined per note 3 above		227,676
Fair values of the identifiable tangible net assets of the Target Group as at 30 September		(15,024)
Fair values of the identifiable intangible assets including trademark and distribution network	*(a)*	(113,781)
Deferred tax liabilities		28,445
Goodwill	*(b)*	127,316

(a) The estimated fair values of the identifiable intangible assets including trademark and distribution network were based on the independent valuation conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, as at 30 September 2018.

(b) Actual goodwill or gain on bargain purchase arising from the Acquisition will be determined based on fair values of the identifiable tangible and intangible assets and liabilities of the Target Group and the aggregate fair value of the total consideration at the actual completion date. When the actual transaction takes place, different fair values may be determined which consequently may result in a financial effect which is materially different from the above.

Since the fair value of the promissory note and the fair value of the underlying assets and liabilities of the Target Group as at the completion date may be different from the above, the resulting amount of goodwill at the date of acquisition may be different. If the recoverable amount of the Target Group (the group of cash-generating units to which the goodwill will be allocated) is below its carrying amount as at the completion date, the related goodwill will be impaired. If the fair value of the underlying assets and liabilities of the Target Group is higher than the fair value of the total consideration transferred as at the completion date, a gain on bargain purchase will be resulted.

5. For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the management of the Group has conducted an assessment of impairment of the intangible assets and the goodwill as at 30 September 2018 in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), which is consistent with the accounting policy of the Company. In accordance with the requirements of HKAS 36, the management of the Group has assessed the impairment by considering whether the carrying amounts (the "Carrying Amounts") of goodwill plus the net identifiable assets of the underlying business of the Target Group exceed the recoverable amount (the "Recoverable Amount") of such underlying business as at 30 September 2018 as determined by discounted cash flow valuation with discount rate 15.81% which was determined by its weighted average cost of capital ("WACC"). WACC comprises of the return on equity and return on debt. The required return on equity was estimated by using the modified Capital Asset Pricing Model ("CAPM") adjusted for further unexplained risk premia. The cost of debt is assumed with reference to the benchmark borrowing rate published by the People's Bank of China and growth rate of 3% which is derived from the long-term inflation rate, which is based on the IMF China Inflation Average Consumer Price Index on cash flow forecast. As the Recoverable Amount is above the Carrying Amounts, no impairment on goodwill or any assets is required for the purpose of the Pro Forma Financial Information. The Company will conduct discounted cash flow valuation upon completion of the Acquisition in accordance with HKFRS 3 and also as at each of the Company's balance sheet date in accordance with HKAS 36 for the purpose of an impairment test on goodwill and the intangible assets. The auditor will review the valuations and the impairment test conducted by the management in the upcoming audit in accordance with the same methodology under HKAS 36. Save for unforeseen circumstances, for the purpose of the impairment test upon completion of the Acquisition and in the subsequent balance sheet date, the auditor will adopt the same set of impairment indicators as adopted for the purpose of the Unaudited Pro Forma Financial Information for those impairment assessments.

The accountants' report of Target Group for the year ended 31 March 2018 and the six months ended 30 September 2018 was set out in Appendix II to this circular. Set out below is the management discussion and analysis of the Target Group for the corresponding period:

MANAGEMENT DISCUSSION AND ANALYSIS OF TARGET GROUP

Review of business

The Target Company is a holding company ultimately holding the entire equity interest of Guangzhou Yapin. Guangzhou Yapin was incorporated on 17 March 2017 and is principally engaged in manufacture, wholesale and retail of custom-made furniture in the PRC under the brand name "壹家壹品".

The main revenue source of the Target Group is the wholesale of custom-made furniture, which accounted for over 80% of the total revenue of the Target Group for the year ended 31 March 2018 and the six months ended 30 September 2018.

Mr. Qin Yuquan ("**Mr. Qin**") has over 10 years of experience in the furniture manufacturing and distribution industry. As it took time to complete manpower recruitment and building of production facilities, the production gradually ramped up until late 2017. Meanwhile, leveraging on Mr. Qin's extensive business network in the industry and the increasing market development effort devoted by Mr. Qin and his team, Guangzhou Yapin has built up relationship with the wholesale customers, which are mainly contractors in the construction industry in the PRC. These contractors have contracting agreement relationship with various major renowned property developers in the PRC.

The turnover and margin respectively attributed to the wholesale and retail segment of custom-made furniture are as follow:

Wholesale of custom-made furniture

	For the year ended 31 March 2018	**For the six months ended 30 September 2017**	**For the six months ended 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(unaudited)*	*(audited)*
Turnover	18,713	—	58,095
Gross profit	3,131	—	18,086
Gross profit margin	16.7%	—	31.1%

The revenue attributed to the wholesale segment for the year ended 31 March 2018 was approximately HK$18.7 million. During the six months ended 30 September 2018, the revenue attributed to the wholesale segment was approximately HK$58.1 million. The increase was mainly due to the fact that the Target Group was in the start up stage during 2017 and the custom-made furniture products under several sales agreements entered into with the wholesale customers were mainly delivered starting from May 2018. The gross profit margin of the wholesale segment for the year ended 31 March 2018 and the six months ended 30 September 2018 was approximately 16.7% and 31.1% respectively. Such increase is mainly due to the fact that the Target Group commenced its own production since May 2018 and prior to that, the Target Group outsourced its production to independent manufactures. Therefore, the gross profit margin for the six months ended 30 September 2018, whereas the products manufactured by its own production, is generally higher.

Retail of custom-made furniture

	For the year ended 31 March 2018	**For the six months ended 30 September 2017**	**For the six months ended 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(unaudited)*	*(audited)*
Turnover	—	—	10,872
Gross profit	—	—	6,923
Gross profit margin	—	—	63.7%

The revenue attributed to the retail segment for the year ended 31 March 2018 was nil. During the six months ended 30 September 2018, the revenue attributed to the retail segment was approximately HK$10.9 million. The increase was mainly due to the fact that the Target Group has begun to distribute its custom-made furniture products through distribution stores in the PRC since April 2018.

Turnover

The Target Group recorded revenue of approximately HK$18.7 million and HK$69.0 million for the year ended 31 March 2018 and the six months ended 30 September 2018 respectively. The increase in revenue in the six months ended 30 September 2018 was due to the reasons as set out above.

Other income

The Target Group recorded other income of approximately HK$644,000 and HK$54,000 for the year ended 31 March 2018 and the six months ended 30 September 2018. Such other income mainly represented the design fee and sundry income.

Selling and distribution expenses

The Target Group recorded selling and distribution expenses of approximately HK$393,000 and HK$1.5 million for the year ended 31 March 2018 and the six months ended 30 September 2018 respectively. The increase in selling and distribution expenses was mainly caused by the increase in staff cost as a result of increase in the headcount of sales and marketing department.

Administrative expenses

The Target Group recorded administrative expenses of approximately HK$2.2 million and HK$3.7 million for the year ended 31 March 2018 and the six months ended 30 September 2018 respectively. The increase in administrative expenses was mainly caused by the increase in the salary of administrative staff.

The breakdown of the rental expenses, salary of administrative staff, and depreciation expenses for the year ended 31 March 2018 and the six months ended 30 September 2018 respectively are as follow:

	For the year ended 31 March 2018	**For the six months ended 30 September 2017**	**For the six months ended 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(unaudited)*	*(audited)*
Rental expenses	—	—	1,579
Salary of administrative staff	537	95	336
Depreciation expenses	7	—	482

Finance costs

The Target Group recorded nil finance costs for both the year ended 31 March 2018 and the six months ended 30 September 2018 respectively.

Profit for the year/period

The Target Group recorded profit before taxation of approximately HK$1.1 million and HK$19.8 million for the year ended 31 March 2018 and the six months ended 30 September 2018 respectively. The increase in net profit was mainly due to the increase in revenue during the period.

Inventory

The Target Group's inventories as at 31 March 2018 and 30 September 2018 were in the amount of approximately HK$1.6 million and HK$4.4 million respectively. The increase in inventories was due to the increase in raw materials purchased for newly acquired projects during the period.

Trade and other receivables

The trade and other receivables of the Target Group mainly represented the receivables from the Target Group's wholesale customers.

The Target Group trade and other receivables as at 31 March 2018 and 30 September 2018 were in the amount of approximately HK$33.3 million and HK$74.7 million respectively. The increase of the trade and other receivables was generally in line with the increase in the Target Group's revenue during the period.

Liquidity and financial resources

The financial resources of the Target Group were mainly financed by trade credit provided by suppliers. As at 31 March 2018 and 30 September 2018, the major liabilities of the Target Group were as follow:

	As at 31 March 2018 *HK$'000* *(audited)*	**As at 30 September 2018** *HK$'000* *(audited)*
Trade payables	21,068	43,253
Other payables	13,331	23,801
Tax payables	325	4,685

The increase in trade payables and other payables were due to the increase in purchase of materials for newly acquired projects during the period.

As at the Latest Practicable Date, the Target Group has no outstanding borrowings remaining unrepaid.

In the coming year, the expected sources of funding of Target Group include internal resources, bank loans and other external borrowings.

As at the Latest Practicable Date, the Target Group has no seasonal borrowing requirement, committed facility, or any funding requirement for capital expenditure, commitments or authorisations.

Bank and Other Borrowings

As at 31 March 2018 and 30 September 2018, the Target Group had no bank and other borrowings.

The gearing ratio of the Target Group, calculated as a percentage of the Target Group's total liabilities to its total assets, were approximately 97.6% and 82.7% respectively.

Treasury management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Target Group monitors capital (including share capital and other reserves) by regularly reviewing the capital structure. As a part of the said review, the Target Group considers the cost of capital and the risks associated with the issued share capital. The Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, capitalising shareholder loans or repurchase the Target Group's shares.

As at the Latest Practicable Date, the Target Group does not use any current borrowing or financial instrument for hedging purpose.

Significant Investment

No company of the Target Group has held any significant investment since their respective incorporation date. No company of the Target Group has any future plan for material investments or capital assets.

Securities and guarantees

As at 31 March 2018 and 30 September 2018, the Target Group had not made any pledge of or created any security over its assets and had not provided any corporate guarantee.

Foreign exchange exposure

For the year ended 31 March 2018 and the six months ended 30 September 2018, the operation of the Target Group was principally in the PRC and the principal assets and liabilities of the Target Group were denominated in RMB. As such, the Target Group considered that it did not have any material exposure to fluctuations in exchange rate and hence no hedging measures were taken.

Contingent liabilities

No company of the Target Group has any contingent liabilities.

Material acquisition and disposal of subsidiaries and associated companies

No company of the Target Group has acquired or disposed any material subsidiary or associated company since their respective incorporation date.

Employee information and remuneration policy

As at 30 September 2018, the Target Group had 91 employees.

The Target Group recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonuses given to the employees of the Target Group have been determined after taking into account the financial results of the Target Group and the performance of employees. During the year ended 31 March 2018 and the six months ended 30 September 2018, remuneration paid to the employees of the Target Group was approximately HK$746,000 and HK$2.3 million respectively.

The remuneration policy of the Target Group's senior management is also regularly monitored by the Group's remuneration committee. Upon Completion, the Group will provide in-house or external training to the Target Group's employees when necessary.

Future plans

Upon Completion, the Target Group will continually focus on its existing business. Save as disclosed above, the Target Group had no other future plans for material investments or capital assets acquisitions as at 31 March 2018, 30 September 2018 and the Latest Practicable Date. If any significant investment or capital asset is identified, the Target Group is expected to obtain funds through its internal resources and/or external borrowings.

仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
Company Licence No: C-030171
T +852 2846 5000 F +852 2169 6001

28 March 2019

The Board of Directors
EJE (Hong Kong) Holdings Limited
Room 2301, 23/F,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Dear Sirs,

In accordance with the instructions received from EJE (Hong Kong) Holdings Limited (the "Company"), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of 100 per cent equity interest in 廣州雅品家具科技有限公司 (transliterated as Guangzhou Yapin Furniture Technology Limited Company) ("Guangzhou Yapin") as at 30 November 2018 (the "Valuation Date").

The purpose of this valuation is for public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

INTRODUCTION

As at 22 January 2019, Green Step Investments Limited ("Green Step") holds the entire issued share capital in Digit Dragon Limited ("Digit Dragon"), which in turn holds the entire equity interest in (i) 深圳市前海緯龍科技有限公司 (transliterated as Shenzhen Qinghai Weilong Technology Limited Company) ("Qinghai Weilong"), a company established in the People's Republic of China ("PRC"), which then in turn holds the entire equity interest in Guangzhou Yapin, a company established in the PRC; and (ii) Regal Leader (Hong Kong) Limited ("Regal Leader"), a company established in Hong Kong.

Guangzhou Yapin is principally engaged in manufacture, retail and wholesale of custom made furniture in the PRC under the brand name "壹家壹品". As advised by the management of the Company, Green Step, Digit Dragon, Qinghai Weilong and Regal Leader have no business activities since their respective incorporation/establishment, and they have not recorded any profit/loss from their respective dates of incorporation/establishment to the Valuation Date.

On 22 January 2019 (after trading hours), Ultimate Rise Limited (the ''Purchaser''), a directly wholly-owned subsidiary of the Company, and Legendary Idea Limited (the ''Vendor'') entered into a conditional sale and purchase agreement (the ''Agreement''), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest of Green Step at the consideration of HK$280 million.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

In our opinion, the income approach and cost approach are inappropriate for valuing Guangzhou Yapin. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as at the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this valuation exercise, the market value of the 100% equity interest in Guangzhou Yapin was developed through the application of the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of Guangzhou Yapin. In order to reflect the latest financial performance of Guangzhou Yapin, it is considered that the suitable multiple in this valuation is the trailing price-to-earnings ratio (the "Trailing P/E Ratio"), which is defined as the current market price to trailing 12-month net profit attributable to owners of Guangzhou Yapin up to the Valuation Date.

We have also considered other common pricing multiples, such as price-to-book ratio and price-to-sales ratio. The price-to-book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company. A company's intangible assets as well as company-specific competencies and advantages are not captured in the price-to-book ratio. The price-to-sale ratio is not selected in this valuation because it ignores the cost structure and hence the profitability of a company. Therefore, Trailing P/E Ratio is considered appropriate and adopted in this valuation.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic conditions of Guangzhou Yapin and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition and financial performance of Guangzhou Yapin;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income;

- Consideration and analysis on the micro and macro economy affecting the subject business; and

- Assessment of the liquidity of the subject business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinions on Guangzhou Yapin.

VALUATION ASSUMPTIONS

In determining the market value of the equity interest in Guangzhou Yapin, we make the following key assumptions:

- According to the unaudited management accounts as at 30 November 2018, the trailing 12-month net profit of Guangzhou Yapin is HK$20,131,985, which is translated by using the average exchange rate over those 12 months of RMB1 to HK$1.1903 as sourced from Bloomberg;

- We have assumed that the projected business can be achieved with the effort of the management of Guangzhou Yapin;

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Guangzhou Yapin;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value; and

- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

MARKET MULTIPLE

In determining the price multiple, a list of comparable companies was identified. The selection criteria include the followings:

1. The companies derive most, if not all, of their revenues from the same industry of Guangzhou Yapin, i.e. manufacturing and sales of home furniture in the PRC;

2. The comparable companies are searchable in Bloomberg;

3. The comparable companies are publicly listed; and

4. Sufficient data, including the Trailing P/E Ratios as at the Valuation Date, on the companies are available.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

Stock Code	Company Name	Company Description	Trailing P/E Ratio	Manufacturing and Sales of Home Furniture (% to Total revenue)
603833.CH	Oppein Home Group Inc.	Oppein Home Group Inc. manufactures household furniture products. The company designs, produces, and sells kitchen cabinets, wardrobes, wooden doors, bathroom products, and other home decoration products. The company markets its products worldwide.	21.39	98.48%
603816.CH	Jason Furniture Hangzhou Co., Ltd.	Jason Furniture (Hangzhou) Co., Ltd. manufactures home furniture. The company produces sofas, mattresses, soft beds, and other products. The company also operates import and export businesses.	19.11	91.45%
002572.CH	Suofeiya Home Collection Company Ltd	Suofeiya Home Collection Company Ltd develops, produces and sells custom wardrobes and matching custom furniture. The company's main products includes closets, sliding doors, wardrobes, walk-in closets, custom bookcases, computer desks, beds, beside cabinets, dressing tables, dressing stools, drawer cabinets, TV cabinets, shoe and accessories cabinets etc.	16.75	99.24%

Stock Code	Company Name	Company Description	Trailing P/E Ratio	Manufacturing and Sales of Home Furniture (% to Total revenue)
300616.CH	Guangzhou Shangpin Home Collection Co., Ltd.	Guangzhou Shangpin Home Collection Co., Ltd. manufactures household furniture. The company produces and sells house panel furniture, wardrobes, cabinets, bookcases, beds, sofas, mattresses, and other accessories. The company serves customers in China.	26.88	95.16%
600337.CH	Markor International Home Furnishings Co., Ltd.	Markor International Home Furnishings Co., Ltd. manufactures and markets furniture under the Markor brand name. The company's products include coffee tables, dining tables and chairs, and cabinets. The company mainly exports its products to the U.S.	16.24	98.29%
603898.CH	Guangzhou Holike Creative Home Co., Ltd.	Guangzhou Holike Creative Home Co., Ltd. manufactures home furniture. The company produces cabinets, desks, night stands, closets, and other related products.	12.32	98.29%
603818.CH	Qumei Home Furnishings Group Co., Ltd.	Qumei Home Furnishings Group Co., Ltd. designs, produces, sells and services home furniture products in Europe, Asia, and the United States.	19.91	94.69%
002853.CH	Guangdong Piano Customized Furniture Co., Ltd.	Guangdong Piano Customized Furniture Co., Ltd. is a furniture manufacturer. The company designs, develops, produces, and sells kitchen furniture including cabinets, sinks, stoves, table tops, and others.	20.65	97.72%
603326.CH	Nanjing OLO Home Furnishing Co., Ltd.	Nanjing OLO Home Furnishing Co., Ltd. manufactures and distributes cabinets. The company produces European, modern cabinets, and solid wood cabinets, and other products. The company provides furniture designing services.	20.56	100%
Average			**19.31**	

(Source: Bloomberg)

The average of the market multiples is calculated at 19.31 and adopted as the Trailing P/E Ratio for Guangzhou Yapin.

ADDITIONAL CONSIDERATION

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

With reference to the relevant data sourced from Wind and CVSource, financial database in the PRC, the DLOM of 51.80% is applied in estimating the market value of the equity interest in Guangzhou Yapin as at the Valuation Date.

Control Premium

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

We have made reference to the recent four quarterly control premium reports (the ''Control Premium Studies'') from the fourth quarter of 2017 to the third quarter of 2018 published by FactSet Mergerstat, LLC. Since the Control Premium Studies do not have sufficient data for furniture industry, we has applied the data related to international transactions from all industries over these twelve months.

In the valuation, we adopted the average control premiums of 50.05%, which excludes negative premiums. It was derived based on 206 deals from the Control Premium Studies. The distributor of the Control Premium Studies explained that there are two possible scenarios in which negative premium may arise: first, if the buyer is public and paying with its own stock, its stock price may have decreased between the announcement and the time the deal closes. Another scenario may be that the selling company could be struggling and on the verge of failure. It is considered that these scenario are not applicable to the Company's proposed transaction.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the two factors, including DLOM and control premium. The calculation of the market value of the equity interest in Guangzhou Yapin as at the Valuation Date is as follows:

	As at 30 November 2018
Applied Trailing P/E Ratio	19.31
Trailing 12-month net profit of Guangzhou Yapin *(HK$)*	20,131,985
100% equity value before DLOM and control premium *(HK$)*	**388,806,279**
Adjusted for DLOM at 51.80%	×(1 – 51.80%)
Adjusted for control premium at 50.05%	×(1 + 50.05%)
100% equity interest value *(HK$)*	281,193,364
Rounded value *(HK$)*	**281,200,000**

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Guangzhou Yapin, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Guangzhou Yapin over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest in Guangzhou Yapin as at the Valuation Date is reasonably stated at the amount of **HK$281,200,000 (HONG KONG DOLLARS TWO HUNDRED EIGHTY ONE MILLION AND TWO HUNDRED THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS) where he now serves on their North Asia Valuation Practice Group. He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/ proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events

and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/ Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The board of directors, management and/or staff of the Company and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

The biographical details of the Directors proposed to be re-elected at the EGM are set out as follows:

Mr. Chau Tsz Kong Alan ("Mr. Chau"), aged 32, is a Certified Public Accountant of the CPA Australia and he holds a bachelor degree of business administration. Prior to joining the Company, Mr. Chau has over 5 years of working experience in audit and assurance department of international accounting firm and he has extensive experience in accounting and corporate finance.

Save as disclosed herein, Mr. Chau does not hold any positions in the Company or any of its subsidiaries as at the Latest Practicable Date, nor did he hold any directorship in any listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. He does not have any relationships with any other directors, senior management, substantial shareholders, or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Chau does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Mr. Chau has entered into a service agreement dated 17 December 2018 with the Company for a term of two years commencing from 17 December 2018, which may be terminated by either party thereto by giving to the other three months' prior notice in writing. Mr. Chau is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the articles of association of the Company. Pursuant to the said service agreement, Mr. Chau is entitled to a remuneration of HK$30,000 per month, which represents the entirety of the monthly remuneration payable to him by the Group. The remuneration of Mr. Chau was determined with reference to the prevailing market conditions, his role and responsibilities.

There is no other information relating to his proposed re-election that is required to be disclosed pursuant to any provisions under Rule 17.50(2)(h) to (v) of the GEM Listing Rules, nor is there any other matter that needs to be brought to the attention of pursuant to Rule 17.50(2)(w) of the GEM Listing Rules.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. RESPONSIBILITY STATEMENT

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executives has any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (''SFO'')), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors or listed issuers.

Long positions in Shares

Name of Directors	Nature of interested	Number of shares	Number of underlying shares	Percentage of shareholding
Mr. Hung Cho Sing	Beneficial owner	23,136,000	*(Note 1)*	0.80%
Mr. Qin Yuquan	Interest of a Controlled Corporation	1,927,272,727	*(Note 2)*	66.64%

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of persons in the Shares, debentures or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares, were as follows:

Name	Nature of interest	Number of Shares interested	Approximate percentage of interest
Legendary Idea Limited	Beneficial owner *(Note 1)*	1,927,272,727	66.64%
Corsello Investments Limited	Interest of a controlled corporation *(Note 1)*	1,927,272,727	66.64%
Tian Cheng Ventures Limited	Interest of a controlled corporation *(Note 1)*	1,927,272,727	66.64%
Chang Tin Duk, Victor	Interest of a controlled corporation *(Note 1)*	1,927,272,727	66.64%
Qin Yuquan	Interest of a controlled corporation *(Note 1)*	1,927,272,727	66.64%
Lai Yongmei	Interest of spouse *(Note 2)*	1,927,272,727	66.64%
Tong Shing Ann, Sharon	Interest of spouse *(Note 3)*	1,927,272,727	66.64%

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

Note 2: Ms. Lai Yongmei, the spouse of Mr. Qin Yuquan, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Qin Yuquan is interested for the purpose of the SFO.

Note 3: Ms. Tong Shing Ann, Sharon, the spouse of Mr. Chang Tin Duk, Victor, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Chang Tin Duk, Victor is interested for the purpose of the SFO.

Save as disclosed above, so far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, debentures or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares.

3. DIRECTORS' INTERESTS IN CONTRACT AND ARRANGEMENTS

As at the Latest Practicable Date:

(a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2018 (being the date to which the latest published audited financial statements of the Group was made up), been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling Shareholders or their respective close associates had any interests in businesses which competed or might compete with the businesses of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, except for Mr. Chau (as disclosed in Appendix VI), none of the Directors had entered into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Crescendo Capital	Independent financial adviser
Elite Partners CPA Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or its letters dated 28 March 2019 and/or references to its name and/or its advice in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any beneficial interest in the share capital of any member of the Enlarged Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group or have any interest, either directly or indirectly, in any assets which have been, since 31 March 2018 (being the date to which the latest published audited financial statements of the Group was made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

I. The Group

(a) the sale and purchase agreement entered into on 29 March 2017 between Ultimate Rise Limited (a direct wholly-owned subsidiary of the Company) as the purchaser and Legendary Idea Limited as the vendor in relation to the acquisition of the entire issued share capital of Pioneer One Investments Limited and the shareholder's loan at a consideration of HK$212,000,000 (subject to adjustment);

(b) the sale and purchase agreement entered into in 21 July 2017 between Ever Winner Investment Development Limited as a purchaser and Jia Meng Limited (a direct wholly-owned subsidiary of the Company) as a vendor in relation to the disposal of the entire issued share capital of Grandeur Industries Limited at a consideration of HK$57,005,593; and

(c) the Agreement.

II. The Target Company

No material contracts have been entered into by the Target Company within the two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material.

9. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is Room 01, 23rd Floor., China Insurance Group Building, 141 Des Voeux Road Central, 61-65 Gilman Street and 73 Connaught Road Central, Hong Kong.

(c) The secretary of the Company is Mr. Wong King Chung, who is a member of Hong Kong Institute of Certified Public Accountants.

(d) The compliance officer of the Company is Mr. Wong King Chung.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

10. AUDIT COMMITTEE

The primary duties of the audit committee of the Company 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. As at the Latest Practicable Date, the audit committee of the Company comprised of three independent non-executive Directors, namely, Mr. Chan Chun Wing (chairman of the audit committee), Mr. Tang Kin Chor and Mr. Li Siu Yui. Brief biographies of the independent non-executive Directors are set out below:

Mr. Chan Chun Wing (''Mr. Chan''), aged 49, holds a bachelor degree of economics from Macquarie University (Australia). Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has worked with one of the Big Four CPA firms in his early career, and has subsequently worked as a financial controller and other managerial role across different industries and business segments. He is now a partner and shareholder of a long established sport equipment manufacturing and trading company in Hong Kong.

Mr. Tang Kin Chor, aged 60, has over 20 years of working experience in the securities industry including equity sales and fund management. Mr. Tang is now an associate director of Celestial Securities Limited, a registered exchange participant of the Stock Exchange, and a columnist.

Mr. Li Siu Yui, age 48, holds a Master's degree in Business Administration from University of Wales. He has over 16 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies. Mr. Li was an independent non-executive director of Fullshare Holdings Limited (formerly known as Warderly International Holdings Limited; stock code: 607) from June 2008 to December 2013. Currently, Mr. Li is an independent non-executive director of China LNG Group Limited (formerly known as Artel Solutions Group Holdings Limited; stock code: 931).

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Room 01, 23rd Floor., China Insurance Group Building, 141 Des Voeux Road Central, 61-65 Gilman Street and 73 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the member of the Enlarged Group;

(b) the annual reports of the Company for each of the two financial years ended 31 March 2017 and 31 March 2018;

(c) the accountants' report from Elite Partners CPA Limited on the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(d) the accountants' report from Elite Partners CPA Limited on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the valuation report on the Target Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix V to this circular;

(f) the letter from the Independent Board Committee;

(g) the letter from Crescendo Capital;

(h) the written consents referred to in the paragraph headed "Experts and consent" in this appendix;

(i) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix; and

(j) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of EJE (Hong Kong) Holdings Limited (the "**Company**") will be held at 10:00 a.m. on 17 April 2019 at Room 01A, 23rd Floor., China Insurance Group Building, 141 Des Voeux Road Central, 61–65 Gilman Street and 73 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTION

(1) "**THAT**:

(a) the agreement dated 22 January 2019 (the "**Agreement**", a copy of which is marked "A", and initialed by the chairman of the EGM for identification purpose and tabled at the EGM) entered into between Ultimate Rise Limited (as purchaser, a direct wholly-owned subsidiary of the Company) and Legendary Idea Limited (as vendor) for the acquisition of the entire issued share capital of Green Step Investments Limited at the aggregate maximum consideration of HK$280,000,000 (subject to adjustments) be and are hereby approved, ratified and confirmed; and

(b) any one director of the Company be and is hereby authorized to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivering all agreements, documents and instruments) which are in his/her opinion, necessary, appropriate, desirable or expedient to implement or give effect to the terms of the Agreement and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendments or waiver of matters relating thereto or in connection therewith."

(2) "**THAT** Mr. Chau Tsz Kong Alan be re-elected as an executive director of the Company."

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

Hong Kong, 28 March 2019

* *For identification purpose only*

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 01, 23rd Floor.
China Insurance Group Building
141 Des Voeux Road Central
61-65 Gilman Street and
73 Connaught Road Central
Hong Kong

Notes:

1. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the EGM (or any adjournment thereof).

3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the EGM and in such event, the instrument appoint a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

5. A form of proxy for use at the EGM is attached herewith.

6. Any voting at the EGM shall be taken by poll.

7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

As at the date of this notice, the executive Directors of the Company are Mr. Qin Yuquan, Mr. Hung Cho Sing, Mr. Matthew Chung, and Mr. Chau Tsz Kong Alan; and the independent non-executive Directors are Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui.