



E Lighting Group Holdings Limited
壹照明集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8222

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of E Lighting Group Holdings Limited (the “Company” or “E Lighting”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2016:

- Revenue was approximately HK\$42,919,000, representing a decrease of approximately 27.9% as compared with that of the corresponding period in last year, which was mainly due to uncertainty in macro business environment.
- The Group recorded a loss of approximately HK\$6,374,000 during the six months ended 30 September 2016.
- Loss per share was approximately HK1.48 cents for the six months ended 30 September 2016.
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2016.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016 (the “Reporting Period”), together with the comparative unaudited figures for the previous corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Revenue	4	22,360	34,286	42,919	59,507
Cost of sales		(12,434)	(18,861)	(21,387)	(30,611)
Gross Profit		9,926	15,425	21,532	28,896
Other income and gain	5	(487)	6,204	(112)	7,803
Selling and distribution expenses		(9,723)	(11,023)	(19,864)	(21,196)
Administrative and other expenses		(4,422)	(4,065)	(9,166)	(7,298)
Finance costs	6	-	(5)	(2)	(8)
Profit/(Loss) before tax	6	(4,706)	6,536	(7,612)	8,197
Income tax credit/(expense)	8	698	(106)	1,238	(117)
Profit/(Loss) and total comprehensive income for the period attributable to the owners of the Company		(4,008)	6,430	(6,374)	8,080
Earnings/(Loss) per share	10				
- Basic (HK cents)		(0.92)	1.54	(1.48)	1.97
- Diluted (HK cents)		(0.92)	1.28	(1.48)	1.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	2,173	2,766
Intangible assets		5,897	6,701
Goodwill		36,906	36,906
Rental deposits	12	4,716	4,665
Deferred tax assets		1,546	320
Total non-current assets		<u>51,238</u>	<u>51,358</u>
Current assets			
Inventories		14,650	19,657
Trade and other receivables	12	7,564	8,759
Tax recoverable		-	-
Cash and bank balances		15,203	15,991
Total current assets		<u>37,417</u>	<u>44,407</u>
Current liabilities			
Trade and other payables	13	9,332	10,182
Other financial liabilities	14	5,158	5,034
Current tax liabilities		542	422
Total current liabilities		<u>15,032</u>	<u>8,082</u>
Net current assets		<u>22,385</u>	<u>28,769</u>
Total assets less current liabilities		<u>73,623</u>	<u>80,127</u>
Non-current liabilities			
Deferred tax liabilities		992	1,124
Other financial liabilities	14	-	248
Total non-current liabilities		<u>992</u>	<u>1,372</u>
NET ASSETS		<u>72,631</u>	<u>78,755</u>
EQUITY			
Share capital	15	4,333	4,196
Reserves		68,298	74,559
TOTAL EQUITY		<u>72,631</u>	<u>78,755</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
As at 1 April 2015 (audited)	4,000	40,334	2	-	8,402	52,738
Issue of convertible bonds (note 2.1) (restated)	-	-	-	13,869	-	13,869
Issue of shares upon conversion of convertible bonds (note 2.1) (restated)	153	13,958	-	(13,869)	-	242
Profit and total comprehensive income for the period (note 2.1) (restated)	-	-	-	-	8,080	8,080
As at 30 September 2015 (unaudited) (restated)	<u>4,153</u>	<u>54,292</u>	<u>2</u>	<u>-</u>	<u>16,482</u>	<u>74,929</u>
As at 1 April 2016 (audited)	4,196	56,044	2	4,454	14,059	78,755
Issue of shares upon conversion of convertible bonds (note)	137	4,567	-	(4,454)	-	250
Loss and total comprehensive income for the period	-	-	-	-	(6,374)	(6,374)
As at 30 September 2016 (unaudited)	<u>4,333</u>	<u>60,611</u>	<u>2</u>	<u>-</u>	<u>7,685</u>	<u>72,631</u>

Note:

On 4 May 2016, convertible bonds in the principal amount of HK\$9,620,245 were converted into 13,743,207 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.7 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2013 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and its principal place of business in Hong Kong is 26/F, Tiffan Tower, 199 Wanchai Road, Wanchai, Hong Kong. The Company's issued shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 29 September 2014 (the "Listing").

The Company's principal activity is investment holding while the Group is principally engaged in retail chain business in lighting, designer label furniture and household products in Hong Kong and wholesale of tableware and giftware worldwide.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2016 as set out in the 2016 Annual Report of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2016.

In the current period, the HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective for the current accounting period of the Group. The Group has adopted all these new and revised HKFRSs and interpretations that are relevant to its operation. The adoption of these new and revised HKFRSs had no significant effects on the results of the Group for the current and prior periods.

The Group has not yet applied the new and revised HKFRSs that have been issued but not yet effective. The Group is in the process of assessing, where applicable, the potential impact of these new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact to the Group's results of operation.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgments in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

The unaudited condensed consolidated financial statements have been reviewed by the Company's audit committee.

2. BASIS OF PREPARATION (Continued)

2.1 Restatement of fair values related to a business combination

On 13 May 2015, the Group entered into a sales and purchase agreement with a vendor to acquire 100% equity interest of Top Investor Global Limited and its subsidiaries (collectively referred to as “Trendmall Group”) (the “Acquisition”). The Acquisition was completed on 4 June 2015 (the “Acquisition Date”).

The initial accounting for the business combination of Trendmall Group and subsequent accounting treatments in relation to the Acquisition were recognised on a provisional basis in the 2015 Interim Report of the Company. As the Group had completed the initial accounting for the business combination of the subsidiaries, the Group retrospectively adjusted the accounting treatments in relation to the Acquisition, including fair value measurement of considerations (convertible bonds and contingent consideration payables), identifiable assets acquired and liabilities assumed. The comparative figures for the six months ended 30 September 2015 of the condensed consolidated statement of comprehensive income have been restated to reflect the adjustments.

Effect on condensed consolidated statement of comprehensive income

For the six months ended 30 September 2015

	Three months ended 30 September 2015 HK\$'000	Six months ended 30 September 2015 HK\$'000
Increase in gain on change in fair value of financial liabilities at fair value through profit or loss	-	992
Increase in amortisation of intangible assets	(73)	(207)
Decrease in interest on convertible bonds	10	15
Decrease in income tax expense	12	34
Increase/(Decrease) in profit and total comprehensive income for the period attributable to the owners of the Company	<u>(51)</u>	<u>834</u>
Increase/(Decrease) in earnings per share		
- Basic (HK cents)	(0.02)	0.20
- Diluted (HK cents)	(0.01)	0.09

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting, in accordance with the Group's internal organisation and reporting structure, provided to the chief operating decision-maker to make strategic decisions.

The Group has identified two reportable segments as a result of acquisition of tableware and giftware operation. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Lighting and furniture products – retail of lighting products and household furniture in Hong Kong
Tableware and giftware products – retail and wholesale of tableware and giftware products

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business segment

For the six months ended 30 September 2016

	Lighting and furniture products HK\$'000	Tableware and giftware products HK\$'000	Total HK\$'000
Revenue to external customers	<u>39,002</u>	<u>3,917</u>	<u>42,919</u>
Reportable segment result	<u>573</u>	<u>1,106</u>	1,679
Other loss - loss on change in fair value of financial liabilities at fair value through profit or loss			(124)
Unallocated corporate expenses (note)			(9,165)
Finance costs			<u>(2)</u>
Consolidated loss before tax			<u>(7,612)</u>

Note : The unallocated corporate expenses mainly consist of rentals for office premises and warehousing facilities, staff costs (including salaries to administrative staff and emoluments to directors) and professional expenses.

3. SEGMENT INFORMATION (Continued)

(a) Business segment (Continued)

For the six months ended 30 September 2015

	Lighting and furniture products HK\$'000	Tableware and giftware products HK\$'000	Total HK\$'000
Revenue to external customers	<u>47,940</u>	<u>11,567</u>	<u>59,507</u>
Reportable segment result	<u>6,596</u>	<u>1,135</u>	7,731
Other gain - Gain on change in fair value of financial liabilities at fair value through profit or loss			7,772
Unallocated corporate expenses (note)			(7,298)
Finance costs			<u>(8)</u>
Consolidated profit before tax			<u>8,197</u>

Note : The unallocated corporate expenses mainly consist of rentals for office premises and warehousing facilities, staff costs (including salaries to administrative staff and emoluments to directors) and professional expenses.

(b) Segment assets and liabilities

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Assets		
Lighting and furniture products	42,523	48,276
Tableware and giftware products	<u>3,329</u>	<u>3,882</u>
Segment assets	45,852	52,158
Intangible assets	5,897	6,701
Goodwill	<u>36,906</u>	<u>36,906</u>
Consolidated total assets	<u>88,655</u>	<u>95,765</u>
Liabilities		
Lighting and furniture products	8,821	8,761
Tableware and giftware products	<u>1,053</u>	<u>1,861</u>
Segment liabilities	9,874	10,622
Unallocated deferred tax liabilities	992	1,105
Other financial liabilities	<u>5,158</u>	<u>5,283</u>
Consolidated total liabilities	<u>16,024</u>	<u>17,010</u>

4. REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales of goods	<u>22,360</u>	<u>34,286</u>	<u>42,919</u>	<u>59,507</u>

5. OTHER INCOME AND GAIN

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Bank interest income	4	12	12	31
Gain/(Loss) on change in fair value of financial liabilities at fair value through profit or loss	<u>(491)</u>	<u>6,192</u>	<u>(124)</u>	<u>7,772</u>
	<u>(487)</u>	<u>6,204</u>	<u>(112)</u>	<u>7,803</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Auditor's remuneration	200	190	420	410
Costs of inventories recognised as expenses	11,437	17,613	19,453	28,580
Depreciation of property, plant and equipment	398	467	802	908
Amortisation of intangible assets	402	402	804	536
Lease payments under operating leases:				
Minimum lease payments	6,205	6,501	12,722	13,220
Contingent rent	51	303	120	410
	<u>6,256</u>	<u>6,804</u>	<u>12,842</u>	<u>13,630</u>
Employee costs (note 7)	4,438	5,006	9,076	8,906
Finance costs				
- interest on convertible bonds	-	5	2	8

7. EMPLOYEE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Employee costs (including directors) comprise:				
Salaries and other benefits	4,262	4,777	8,711	8,509
Contributions to defined contribution retirement plans	176	229	365	397
	<u>4,438</u>	<u>5,006</u>	<u>9,076</u>	<u>8,906</u>

8. INCOME TAX CREDIT/(EXPENSE)

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Current tax :				
Hong Kong Profits Tax	(120)	(154)	(120)	(168)
Deferred tax	818	48	1,358	51
Income tax credit/(expense)	<u>698</u>	<u>(106)</u>	<u>1,238</u>	<u>(117)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% based on the estimated assessable profits for each reporting period.

9. DIVIDEND

The Board does not recommend payment of any dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Earnings:				
Profit/(Loss) for the period for the purpose of calculating basic earnings/(loss) per share	(4,008)	6,430	(6,374)	8,080
Gain on change in fair value of financial liabilities at fair value through profit or loss	-	(1,058)	-	(3,301)
Adjusted profit for the purpose of calculating diluted earnings/(loss) per share	<u>(4,008)</u>	<u>5,372</u>	<u>(6,374)</u>	<u>4,779</u>
	'000	'000	'000	'000
Number of shares:				
Weighted average number of shares for the purpose of calculating basic earnings/(loss) per share	433,340	415,311	430,861	409,956
Contingent consideration payables	-	6,102	-	15,174
Adjusted weighted average number of shares for the purpose of calculating diluted earnings/(loss) per share	<u>433,340</u>	<u>421,413</u>	<u>430,861</u>	<u>425,130</u>

Basic earnings/(loss) per share was calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

The calculation of diluted loss per share for the six months ended 30 September 2016 does not assume the dilutive potential ordinary shares from contingent consideration payables as the effect is anti-dilutive.

Diluted earnings per share for the six months ended 30 September 2015 was calculated by adjusting the earnings and weighted average number of shares to assume dilutive potential ordinary shares from contingent consideration payables at the end of each reporting period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired property, plant and equipment of approximately HK\$209,000 (six months ended 30 September 2015: approximately HK\$873,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Trade receivables	2,214	814
Deposits and other receivables	7,487	9,252
Prepayments	2,579	3,358
Total	12,280	13,424
Less: non-current – rental deposits	(4,716)	(4,665)
	7,564	8,759

The average credit period on sales of goods is 30 days from invoice date. Aging analysis of the trade receivables at the respective reporting date are as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Within 30 days	1,879	469
31 to 90 days	234	251
91 to 180 days	59	56
Over 180 days	42	38
	2,214	814

13. TRADE AND OTHER PAYABLES

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Trade payables	4,778	4,545
Receipt in advance	956	982
Accruals and other payables	3,598	4,655
	<u>9,332</u>	<u>10,182</u>

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 30 to 180 days. Aging analysis of the trade payables at the respective reporting date are as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Within 30 days	2,086	1,978
31 to 60 days	679	300
61 to 90 days	68	348
Over 90 days	1,945	1,919
	<u>4,778</u>	<u>4,545</u>

14. OTHER FINANCIAL LIABILITIES

On 13 May 2015, the Group entered into a sales and purchase agreement with the Vendor to acquire 100% equity interest of Trendmall Group. The Acquisition was completed on 4 June 2015.

The considerations of the Acquisition were to be satisfied by the issue of convertible bonds of the Company with a principal amount of HK\$35,725,000 (the “Considerations” or “Convertible Bonds”). The aggregate sum of HK\$10,717,500 of Convertible Bonds (“Convertible Bonds I”) were issued by the Company to the Vendor upon completion of the Acquisition on the Acquisition Date. The aggregate sum of HK\$25,007,500 of Convertible Bonds (“Convertible Bonds II”) shall be issued by the Company to the Vendor in two batches, upon fulfillment of the profit guarantee of the Trendmall Group. The total audited consolidated net profit after tax of the Trendmall Group for the two years ending 31 December 2016 shall not be less than HK\$3,200,000 (the “Profit Guarantee”). For details of the terms of the Acquisitions, please refer to the Company’s announcements made on 13 May 2015, 21 May 2015 and 4 June 2015.

14. OTHER FINANCIAL LIABILITIES (Continued)

(a) Convertible Bonds I

On 4 June 2015, the Company issued Convertible Bonds I with an aggregate principal amount of HK\$10,717,500 upon the completion of Acquisition.

During the year ended 31 March 2016, all Convertible Bonds I with an aggregate principal amounts of HK\$10,717,500 were converted into 15,310,714 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.70 per share.

(b) Convertible Bonds II:

The Convertible Bonds II with an aggregate principal amount of HK\$25,007,500 shall be issued by the Company in two batches. The first batch of Convertible Bonds II shall be payable and issued by the Company after determination of the audited results of the Trendmall Group for the financial year ended 31 December 2015 based on the Profit Guarantee and adjustment to the Consideration formula. The second batch of Convertible Bonds II shall be payable and issued by the Company after determination of the results of the Trendmall Group for the financial year ending 31 December 2016 based on the Profit Guarantee and adjustment to the Consideration formula. For details of the Profit Guarantee and adjustment to the Consideration formula, please refer to the Company's announcements dated 13 May 2015.

As the issuance of Convertible Bonds II is subject to the Profit Guarantee, the directors of the Company consider that it is a contingent consideration payables which should be recognised at fair value at the end of each reporting period, with resulting gain or loss recognised in profit or loss.

Movements during the Reporting Period are as follows:

	HK\$'000
Convertible Bonds II - Contingent consideration payables:	
At beginning of the Reporting Period	5,034
Change in fair value	124
At end of the Reporting Period (note ii)	5,158
Loss on change in fair value of financial liabilities at fair value through profit or loss (note 6)	124

14. OTHER FINANCIAL LIABILITIES (Continued)

(b) Convertible Bonds II: (Continued)

(i) First Batch of Convertible Bonds II

On 26 February 2016, Convertible Bonds II in the principal amount of HK\$12,620,245 (“First Batch of Convertible Bonds II”) was issued to the Vendor upon determination of the results of the Trendmall Group for financial year ended 31 December 2015.

The movement of First Batch of Convertible Bonds II during the Reporting Period are as follows:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At beginning of the Reporting Period	248	4,454	4,702
Interested expenses	2	-	2
Converted during the year (note b)	<u>(250)</u>	<u>(4,454)</u>	<u>(4,704)</u>
At end of the Reporting Period	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

(a) First Batch of Convertible Bonds II was issued and contains liability and equity component.

(b) On 4 May 2016, First Batch of Convertible Bonds II in the principal amount of HK\$9,620,245 were converted into 13,743,207 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.7 per share.

(ii) Second batch of Convertible Bonds II

As the issuance of second batch of Convertible Bonds II is subject to the Profit Guarantee and was still classified as financial liabilities and re-measured to fair value at the end of the Reporting Period and recognised in profit or loss during the Reporting Period.

(c) Fair value

The fair value measurement of the Convertible Bonds I and contingent consideration payables (Convertible Bonds II) have been categorized into level 3 fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified with reference to the observability and significant of the inputs used in the valuation technique.

The Company determined the fair value of convertible bonds and contingent convertible bonds payables based on the valuation performed by an independent valuer using the Binomial Tree Model. The major inputs into the model including expected future share price, exercise price, expected additional yield spread, expected volatility and risk-free interest rate.

15. SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each as at 31 March 2016 and 30 September 2016		1,000,000,000	10,000
Issued and fully paid:			
As at 1 April 2015		400,000,000	4,000
Issue of shares upon conversion of convertible bonds	(a)	19,596,428	196
As at 31 March 2016		419,596,428	4,196
Issue of shares upon conversion of convertible bonds	(b)	13,743,207	137
As at 30 September 2016		433,339,635	4,333

- (a) On 19 August 2015, convertible bonds of the Company with an aggregate principal amount of HK\$10,717,500 were converted into 15,310,714 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.7 per share.

On 2 March 2016, convertible bonds of the Company with an aggregate principal amount of HK\$3,000,000 were converted into 4,285,714 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.7 per share.

- (b) On 4 May 2016, convertible bonds of the Company with an aggregate principal amount of HK\$9,620,245 were converted into 13,743,207 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.7 per share.

All new shares issued rank pari passu in all respects with the then existing shares.

16. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases various offices, retail shops and warehouses under non-cancellable lease agreements. The lease agreements are between one and three years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlords.

The operating leases of certain retail shops also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these retail shops could not be accurately determined as at the end of each reporting period, the relevant contingent rentals have not been included.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of offices, retail shops and warehouses are as follows:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Not later than one year	19,909	22,205
Later than one year and not later than five years	9,330	13,795
	<u>29,239</u>	<u>36,000</u>

17. CONTINGENT LIABILITIES

As at 30 September 2016 and 31 March 2016, the Group did not have any contingent liabilities.

18. RELATED PARTY TRANSACTIONS

Other than those balances of related party disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following material transactions with its related parties during the Reporting Period.

Compensation of key management personnel

Key management includes directors and senior managements. The compensation paid or payable to key management personnel for employee services is shown below:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries and other benefits	1,286	1,213	2,570	2,287
Contributions to defined contribution retirement plans	36	36	72	67
	<u>1,322</u>	<u>1,249</u>	<u>2,642</u>	<u>2,354</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Outlook

Business Review

Retail chain business in lighting and designer label furniture

Retail chain business in lighting and designer label furniture is the core business of the Group. Being the most established retail chain group of lighting products in Hong Kong, E Lighting possesses rich experience in the sale of quality lighting and designer label furniture products from all over the world. During the Reporting Period, E Lighting was cautious in its retail network development due to the sluggish retail environment. E Lighting has slowed down the expansion plan and concentrated on the consolidation of retail network and optimisation of the product mix.

During the Reporting Period, revenue of the retail chain business in lighting and designer label furniture was approximately HK\$39,002,000, accounted for approximately 90.9% of the Group's revenue.

Business in tableware and giftware

Business in tableware and giftware was new business acquired in last year, which has expanded the Group's business portfolio, and broadened its source of income and additional cash flows. During the Reporting Period, revenue of the business in tableware and giftware was approximately HK\$3,917,000, accounted for approximately 9.1% of the Group's revenue.

Future Outlook

The retail environment of Hong Kong market remains sluggish and the Directors foresee that year 2016 will be challenging. To cope with the challenges ahead, the Group will continue to concentrate on the consolidation of retail network, optimisation of product-mix and intensification of cost control. The Group will focus on preserving and enhancing sales and profits, and also take proactive steps to reduce inventory level and storage costs in order to improve its performance. Besides, the Directors believe that the Group will benefit from the reduction of shop rental in the year 2016 that reduce the rental cost pressure of the Group.

The underlying demand for residential properties is strong and measures have been announced in the 2016 Policy Address of the Government of the Hong Kong Special Administrative Region (the "Government") to increase housing supply to meet with demands. On 4 November 2016, the Government introduced a new round of demand-side management measures to increase the stamp duty for residential property transactions of non first-time buyers, in order to curb demand from speculators and implement the policy of give priority to Hong Kong people, especially those acquiring properties for self-occupation.

In the long run, with the step up efforts of the Government to increase housing supply in the future, more housing units are expected to be completed to assist Hong Kong people in purchasing homes with priority and meet the demand from self-occupation. Therefore, E Lighting is afforded with new opportunities in its various lines of business.

Looking forward, the Group expects the Government's effort to step up supply of residential units in Hong Kong will drive demand for lighting and household products. The Group will strive to maintain a streamlined business operation, while catering for consumers' specific needs and being responsive to market changes. Leveraging the support of the capital market, our own strengths, and the global trends of saving energy, protecting the environment and pursuing a higher quality of life, the Group is cautiously confident about its development in the future. We will continue to maintain steady growth and to maximise returns for our investors.

Financial Review

Revenue

During the Reporting Period, the Group's revenue was approximately HK\$42,919,000, representing a decrease of approximately 27.9% from approximately HK\$59,507,000 as compared with that of the corresponding period in last year, which was mainly due to uncertainty in macro business environment.

During the Reporting Period, revenue of the retail chain business in lighting and designer label furniture was approximately HK\$39,002,000, representing a decrease of approximately 18.6% from approximately HK\$47,940,000 as compared with that of the corresponding period in last year.

During the Reporting Period, revenue of the business in tableware and giftware was approximately HK\$3,917,000, representing a decrease of approximately 66.1% from approximately HK\$11,567,000 as compared with that of the corresponding period in last year.

Gross Profit and Gross Margin

During the Reporting Period, the Group's gross profit was approximately HK\$21,532,000, representing a decrease of approximately 25.5% from approximately HK\$28,896,000 as compared with that of the corresponding period in last year. The decrease was primarily due to decrease in sales. During the Reporting Period, the Group's overall gross profit margin was approximately 50.2%.

Selling and Distribution Expenses

During the Reporting Period, the Group's selling and distribution expenses was approximately HK\$19,864,000, representing a decrease of approximately 6.3% from approximately HK\$21,196,000 as compared with that of the corresponding period in last year. Selling and distribution expenses primarily consist of rentals for retail outlets and related expenses, staff costs (including salaries and sales commission to salesperson), electronic payment charges and depreciation.

Administrative and Other Expenses

During the Reporting Period, the Group's administrative and other expenses was approximately HK\$9,166,000, representing an increase of approximately 25.6% from approximately HK\$7,298,000 as compared with that of the corresponding period in last year. Administrative and other expenses primarily consist of rentals for office premises and warehousing facilities, staff costs (including salaries to administrative staff and emoluments to Directors) and professional expenses. The increase was primarily due to increase in rental expenses of warehouse and staff costs.

Profit/(Loss) for the Period

The Group recorded a loss of approximately HK\$6,374,000 during the Reporting Period (six months ended 30 September 2015: profit of approximately HK\$8,080,000).

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in this announcement, there were neither significant investments held as at 30 September 2016 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

Save for those disclosed in this announcement, there is no plan for material investments or capital assets as at the date of this announcement.

Liquidity and Financial Resources

As at 30 September 2016, the Group had bank balances of approximately HK\$15,203,000. The gearing ratio of the Group, calculated as total bank borrowings over total equity, was nil as at 30 September 2016 (31 March 2016: Nil), as the Group financed the operations from internally generated funds and did not raise any external debt financing during the Reporting Period.

During the Reporting Period, the Group obtained trade finance facilities up to HK\$15,000,000 from a major bank in Hong Kong. The usage of trade finance facilities was subjected to the fixed deposit charged by the Company. During the Reporting Period, the Group had not utilised any of the trade finance facilities.

The Group closely monitors the cash flow position to ensure that the Group has sufficient working capital available to fulfill its operational requirement. The Group takes into account the trade receivables, trade payables, cash and bank balances, administrative and capital expenditures to prepare cash flow forecast to forecast the Group's future liquidity.

Capital Structure

The capital of the Group comprises only ordinary shares.

On 4 May 2016, convertible bonds in the principal amount of HK\$9,620,245 were converted into 13,743,207 ordinary shares of HK\$0.01 each at the conversion price of HK\$0.7 per share.

Total equity attributable to the owners of the Company amounted to approximately HK\$72,631,000 as at 30 September 2016 (31 March 2016: HK\$78,755,000).

Convertible bonds in maximum principal amount of HK\$12,387,255 may be issued by the Company upon the fulfillment of the profit guarantee.

Contingent Liabilities

As at 30 September 2016, the Group did not have any material contingent liabilities (31 March 2016: Nil).

Foreign Currency Risk

The Group undertakes certain purchase transactions denominated in Hong Kong dollar, Euro, United States dollar and Renminbi, hence exposure to exchange rate fluctuations arises. We are mainly exposed to foreign exchange fluctuation of the Euro and Renminbi against Hong Kong dollar, as Hong Kong dollar is pegged to United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at an acceptable level.

Charges on Group Assets

As at 30 September 2016, there is no charges on the Group's assets (31 March 2016: Nil).

Segment Information

The Group's segmental information is set out in note 3 to the condensed consolidated financial statements.

Capital Commitments

As at 30 September 2016, the Group did not have any significant capital commitments (31 March 2016: Nil).

Employee Information

Total remuneration of the Group for the Reporting Period (including (i) Directors' emoluments, (ii) salaries to staff and (iii) MPF contributions) was approximately HK\$9,076,000 (six months ended 30 September 2015: HK\$8,906,000). Such increase was mainly due to the increase in average staff salaries during the Reporting Period.

As at 30 September 2016, the Group had 64 employees (31 March 2016: 71 employees).

Comparison Between Business Objectives with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the prospectus of the Company dated 22 September 2014 ("Prospectus") with actual business progress for the six months ended 30 September 2016.

Business plan up to 30 September 2016 as set out in the Prospectus

Actual business progress up to 30 September 2016

Expansion of retail floor area (including LED specialty stores, lighting stores, lighting & furniture combined stores)

- explore and identify new districts suitable for new retail outlets
 - negotiate and incept tenancy agreements to enable the anticipated expansion of floor area by an additional 12,000 sq. ft.
 - renovation and furnishing of new retail outlets
- The Group has successfully identified five suitable retail outlets in Shatin, Mongkok, Whampoa, Kowloon Bay and Central, and in the process of exploring and identifying new districts suitable for new retail outlets
- The Group has incepted tenancy agreements with those five landlords, which increase the floor areas of over 7,500 sq. ft. in aggregate
- The five new retail outlets at Shatin, Mongkok, Whampoa, Central and Kowloon Bay, approximately 7,500 sq. ft. floor area in aggregate, were operated

Marketing and promotion of our own branding of trademarks

- launch media advertising and promotion in newspaper, magazine, etc
- The Group has launched advertisement and promotion in newspaper, magazine and banner to promote its own branding of trademarks in the market

Solicit new incoming brands to expand product range

- probe and explore further new brands of potential
- The Group has introduced more than 5 world-renowned brands from Italy, Austria and the United States and is in the process of probing and exploring new brands of potential

Position ourselves to capture LED market

- monitor latest development of policies for replacing Incandescent Light Source with LED
 - expand our Panasonic LED product range
- The Group is monitoring the latest development of these policies
- The Group is negotiating with the supplier to expand the Panasonic LED product range, new LED products were introduced to the market

Strengthen logistics management

- implement new technological system ware for point-of sale inventory monitoring for new retail outlets
 - explore and identify new suitable warehousing facilities, negotiate and incept tenancy agreement for new warehousing facilities and commence renovation works, and commence operation of new warehousing facilities
- The Group is in the process of implementing the new technological system ware
- The Group has increased approximately 7,000 sq. ft. warehousing facilities

Comparison Between Business Objectives with Actual Business Progress (Continued)

The principal risks and uncertainties in implementation of the Group's business objectives are the failure to implement the expansion plan successfully. As disclosed in the Prospectus, the Group planned to expand the retail floor area and warehousing facilities in Hong Kong by 30 September 2016. Should the expansion plan be affected by the uncertain economic and political outlook in the Hong Kong market unexpectedly, the Group's expansion plan may be adversely affected. The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Having considered the changes in the business environment, the Directors have resolved that the Group should slow down and reduce the scale of the expansion plan. Therefore, there is no further progress in respect of the plans of expansion of retail floor area and explore and identify new suitable warehousing facilities.

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Use of Proceeds from the Listing

The actual net proceeds from the issue of new shares of the Company under the placing were approximately HK\$33.5 million.

On 7 October 2015, the Directors have reviewed the utilisation of the net proceeds. Having considered the changes in the business environment, the Directors considered that the current number of retail stores is correspondingly sufficient to meet the demand of customers (which has unexpectedly been reduced since the Listing) and resolved that the Group should slow down and reduce the scale of the expansion plan. The Directors considered that the funding requirement of the expansion plan would be reduced and certain of the net proceeds originally intended to be used for the expansion would be reallocated for working capital and other general corporate purpose, in order to improve working capital position and liquidity of the Group, and enhance the Group's capability to capture future business and investment opportunities (if any). For details, please refer to the Company's announcement dated 7 October 2015.

An analysis of the utilisation of the actual net proceeds and the unused amount as at 30 September 2016 is set out below:

Use of proceeds	Net Proceeds after reallocation HK\$'000	Utilised amount as at 30 September 2016 HK\$'000	Unused amount as at 30 September 2016 HK\$'000
a) Expansion of retail floor area	25,740	18,100	7,640
b) Marketing and promotion of our own branding of trademarks	2,138	1,760	378
c) Strengthen logistics management	2,309	250	2,059
d) Working capital and other general corporate purpose	3,342	3,342	-
Total	33,529	23,452	10,077

The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code"). To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the Reporting Period.

Directors' Securities Transactions

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. No Director has dealt in the shares of the Company during the Reporting Period.

Rights to Acquire Shares or Debentures

At no time during the Reporting Period was the Company, or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (the "Chief Executive") (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")).

Competing Interests

As at 30 September 2016, none of the Directors, the substantial shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

As at 30 September 2016, the interests and short positions of the Directors and the Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings") were as follows:

Long positions in ordinary shares of the Company

Name	Capacity/Nature of interests	Number of securities	Approximate percentage of shareholding
Mr. Hui Kwok Keung Raymond (Note 1)	Interest in controlling corporation	210,000,000	48.46%
Mr. Hue Kwok Chiu (Note 2)	Interest in controlling corporation	45,000,000	10.38%

Notes:

- (1) These shares are held by Time Prestige Ventures Limited, a company wholly-owned by Mr. Hui Kwok Keung Raymond.
- (2) These shares are held by Star Adventure Holdings Limited, a company wholly-owned by Mr. Hue Kwok Chiu.

Save as disclosed above, as at 30 September 2016, none of the Directors or the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 September 2016, to the best of the knowledge of the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity/Nature of interests	Number of securities	Approximate percentage of shareholding
Time Prestige Ventures Limited	Beneficial Owner	210,000,000	48.46%
Star Adventure Holdings Limited	Beneficial Owner	45,000,000	10.38%
Ms. Ng Hiu Ying (Note 1)	Interest of spouse	45,000,000	10.38%

Note:

(1) Ms. Ng Hiu Ying is the spouse of Mr. Hue Kwok Chiu. Under the SFO, Ms. Ng Hiu Ying is deemed to be interested in the same number of shares in which Mr. Hue Kwok Chiu is interested.

Save as disclosed above, as at 30 September 2016, there was no person or corporation (other than the Directors and the Chief Executive) who had any interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group (the "Eligible Participant") and to promote the success of the business of the Group.

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 11 September 2014 whereby the Board is authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to the Eligible Participant to subscribe for the shares of the Company. The Share Option Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Share Option Scheme.

As at 30 September 2016, the total number of shares available for issue under the Share Option Scheme is 40,000,000 shares, representing 9.23% of the issued shares of the Company. Since the adoption of the Share Option Scheme, no share option has been granted by the Company.

Compliance Adviser's Interests

As at 30 September 2016, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of GEM Listing Rules.

Audit Committee

The audit committee of the Company (the “Audit Committee”) was established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Leung Wai Chuen. The other members are Mr. Chung Wai Man and Ms. Yeung Mo Sheung Ann. The primary duties of the Audit Committee include the review of the Group’s financial reporting system, risk management and internal control systems of the Group.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2016 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Changes in Information of Directors

Subsequent to the date of the annual report of the Company for the year ended 31 March 2016, Mr. Chung Wai Man resigned as an independent non-executive director and has been appointed as the company secretary and chief financial officer of Legend Strategy International Holdings Group Company Limited (Stock Code: 1355), a company listed on the main board of the Stock Exchange, with effect from 1 November 2016.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.elighting.asia). The interim report of the Company for the six months ended 30 September 2016 containing all the information required by the GEM Listing Rules will be dispatched to the Company’s shareholders and published on the above websites in due course.

By order of the Board
E Lighting Group Holdings Limited
壹照明集團控股有限公司
Hue Kwok Chiu
Chairman

Hong Kong, 11 November 2016

As at the date of this announcement, the executive Directors are Mr. Hue Kwok Chiu, Mr. Hui Kwok Keung Raymond and Mr. Hui Kwok Wing; the independent non-executive Directors are Mr. Chung Wai Man, Mr. Leung Wai Chuen and Ms. Yeung Mo Sheung Ann.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company’s website at www.elighting.asia.