



**UNION ASIA
ENTERPRISE HOLDINGS LTD
萬亞企業控股有限公司**

(Formerly known as Pan Asia Mining Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8173)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 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.

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This announcement, for which the directors of Union Asia Enterprise Holdings Ltd (formerly known as Pan Asia Mining Limited) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Pan Asia Mining Limited. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHT

For the year ended 31 March 2016, the Group recorded a revenue of approximately HK\$1,467,000 and loss for the year of approximately HK\$284,341,000.

The directors do not recommend the payment of a dividend for the year ended 31 March 2016.

The Board of Directors (the "Board") of Union Asia Enterprise Holdings Ltd (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group"), which has been reviewed by the audit committee of the Company, for the year ended 31 March 2016 together with comparative audited figures for the year ended 31 March 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | Note | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------|------------------|------------------|
| Continuing operations | | | |
| Revenue | 3 | 1,467 | 10,661 |
| Cost of sales | | (1,711) | (8,896) |
| Gross (loss)/profit | | (244) | 1,765 |
| Administrative expenses | | (55,344) | (51,640) |
| Other operating income and expenses | 4 | (5,101) | 3,183 |
| Other gains and losses | 5 | 149,695 | 95 |
| Profit/(loss) from operations | | 89,006 | (46,597) |
| Finance costs | 6 | (65,559) | (129,982) |
| Profit/(loss) before tax | | 23,447 | (176,579) |
| Income tax expense | 7 | (469) | (367) |
| Profit/(loss) for the year from continuing operations | 8 | 22,978 | (176,946) |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | 9 | (307,319) | (1,051,274) |
| Loss for the year | | (284,341) | (1,228,220) |
| Other comprehensive income after tax: | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Revaluation (deficit)/surplus of leasehold building | | (7,654) | 5,813 |
| <i>Item that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (293) | (1,072) |
| Gains on revaluation of available-for-sale financial assets | | 1,446 | — |
| Other comprehensive income for the year, net of tax | | (6,501) | 4,741 |
| Total comprehensive income for the year | | (290,842) | (1,223,479) |

| | Note | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------|------------------|--------------------|
| Loss for the year attributable to: | | | |
| Owners of the Company | | (225,810) | (887,338) |
| Non-controlling interests | | (58,531) | (340,882) |
| | | <u>(284,341)</u> | <u>(1,228,220)</u> |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | (239,088) | (882,757) |
| Non-controlling interests | | (58,531) | (340,722) |
| | | <u>(297,619)</u> | <u>(1,223,479)</u> |
| | | HK cents | HK cents |
| Earnings/(loss) per share | | | |
| | 12 | | |
| From continuing and discontinued operations | | | |
| Basic | | <u>(12.28)</u> | <u>(83.01)</u> |
| Diluted | | <u>N/A</u> | <u>N/A</u> |
| From continuing operations | | | |
| Basic | | <u>0.99</u> | <u>(4.49)</u> |
| Diluted | | <u>(0.08)</u> | <u>N/A</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

| | Note | 2016 HK\$'000 | 2015 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 2,306 | 52,062 |
| Investment properties | | 18,836 | 18,614 |
| Payments for mining claims | | — | 109 |
| Exploration and evaluation assets | 13 | — | 158,568 |
| Goodwill | | — | 3,435 |
| Intangible assets | | — | 595 |
| Interests in associates | | — | — |
| Available-for-sale financial assets | 14 | 6,472 | — |
| Total non-current assets | | 27,614 | 233,383 |
| Current assets | | | |
| Inventories | | 4,308 | 17,271 |
| Trade and other receivables | 15 | 6,849 | 187,763 |
| Financial assets at fair value through profit or loss | | — | 295 |
| Derivative financial instrument | 20(b) | 292 | — |
| Amount due from associates | | 83 | 83 |
| Amount due from a director | | — | 2,699 |
| Restricted bank balance | | 28 | — |
| Bank and cash balances | | 3,781 | 9,817 |
| | | 15,341 | 217,928 |
| Assets classified as held for sale | 16 | 38,203 | — |
| Total current assets | | 53,544 | 217,928 |
| TOTAL ASSETS | | 81,158 | 451,311 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | 25,298 | 796,888 |
| Reserves | | (660,100) | (1,470,002) |
| | | (634,802) | (673,114) |
| Non-controlling interests | | (10,440) | 48,091 |
| Total equity | | (645,242) | (625,023) |

| | Note | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------|------------------|------------------|
| Non-current liabilities | | | |
| Bank and other borrowings | 19 | 19,794 | 109 |
| Finance lease payables | | — | 636 |
| Convertible bonds | 20 | 445,499 | 857,287 |
| Deferred tax liabilities | | 2,253 | 1,886 |
| Total non-current liabilities | | 467,546 | 859,918 |
| Current liabilities | | | |
| Trade and other payables | | 13,480 | 188,993 |
| Amounts due to directors | | 963 | 897 |
| Bank and other borrowings | 19 | 114,750 | 24,936 |
| Finance lease payables | | — | 263 |
| Current tax liabilities | | 73 | 1,327 |
| | | 129,266 | 216,416 |
| Liabilities directly associated with assets classified as held for sale | 16 | 129,588 | — |
| Total current liabilities | | 258,854 | 216,416 |
| TOTAL EQUITY AND LIABILITIES | | 81,158 | 451,311 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

| | Attributable to owners of the Company | | | | | | | | | | | | | | | | | | | | |
|--|---------------------------------------|---------------|--------------------------------------|----------------------|----------------------------------|------------------------------|--------------------------------|--------------------|-----------|---------------------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Share capital | Share premium | Foreign currency translation reserve | Share option reserve | Convertible bonds equity reserve | Property revaluation reserve | Investment revaluation reserve | Accumulated losses | Total | Non-controlling interests | Total equity | | | | | | | | | | |
| | | | | | | | | | | | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | | | | | | | | | | | | | | | | | | |
| At 1 April 2014 | 471,450 | 3,780,279 | (2,468) | 8,251 | 1,263,605 | 2,348 | — | (5,506,868) | 16,597 | 387,965 | 404,562 | | | | | | | | | | |
| Total comprehensive income for the year | — | — | (1,232) | — | — | 5,813 | — | (887,338) | (882,757) | (340,722) | (1,223,479) | | | | | | | | | | |
| Issue of share on acquisition of a subsidiary (note 18(c)) | 33,142 | (5,966) | — | — | — | — | — | — | 27,176 | — | 27,176 | | | | | | | | | | |
| Issue of rights shares (note 18(c)) | 151,378 | — | — | — | — | — | — | — | 151,378 | — | 151,378 | | | | | | | | | | |
| Issue of bonus shares (note 18(c)) | 100,918 | (100,918) | — | — | — | — | — | — | — | — | — | | | | | | | | | | |
| Share issue expenses | — | (4,708) | — | — | — | — | — | — | (4,708) | — | (4,708) | | | | | | | | | | |
| Issue of shares for extinguishing financial liabilities with equity instruments (note 18(d)) | 40,000 | (20,800) | — | — | — | — | — | — | 19,200 | — | 19,200 | | | | | | | | | | |
| Capital contribution from non-controlling interests | — | — | — | — | — | — | — | — | — | 848 | 848 | | | | | | | | | | |
| Changes in equity for the year | 325,438 | (132,392) | (1,232) | — | — | 5,813 | — | (887,338) | (689,711) | (339,874) | (1,029,585) | | | | | | | | | | |
| At 31 March 2015 | 796,888 | 3,647,887 | (3,700) | 8,251 | 1,263,605 | 8,161 | — | (6,394,206) | (673,114) | 48,091 | (625,023) | | | | | | | | | | |
| At 1 April 2015 | 796,888 | 3,647,887 | (3,700) | 8,251 | 1,263,605 | 8,161 | — | (6,394,206) | (673,114) | 48,091 | (625,023) | | | | | | | | | | |
| Total comprehensive income for the year | — | — | (293) | — | — | (7,654) | 1,446 | (225,810) | (232,311) | (58,531) | (290,842) | | | | | | | | | | |
| Issue of shares on conversion of convertible bonds (note 18(e)) | 468,000 | (26,945) | — | — | (170,432) | — | — | — | 270,623 | — | 270,623 | | | | | | | | | | |
| Redemption and issuance of convertible bonds | — | — | — | — | (865,930) | — | — | 865,930 | — | — | — | | | | | | | | | | |
| Capital reduction (note 18(f)) | (1,239,590) | — | — | — | — | — | — | 1,239,590 | — | — | — | | | | | | | | | | |
| Changes in equity for the year | (771,590) | (26,945) | (293) | — | (1,036,362) | (7,654) | 1,446 | 1,879,710 | 38,312 | (58,531) | (20,219) | | | | | | | | | | |
| At 31 March 2016 | 25,298 | 3,620,942 | (3,993) | 8,251 | 227,243 | 507 | 1,446 | (4,514,496) | (634,802) | (10,440) | (645,242) | | | | | | | | | | |

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Group incurred a loss of approximately HK\$290,842,000 (2015: HK\$1,223,479,000) for the year ended 31 March 2016 and as at 31 March 2016 the Group had net current liabilities of approximately HK\$205,310,000 (2015: net current assets HK\$1,512,000) and net liabilities of approximately HK\$645,242,000 (2015: HK\$625,023,000). These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have prepared cash flow forecasts for the period from 1 April 2016 to 31 March 2017 which take account of the following measures to improve the Group’s financial position and performance, and liquidity in foreseeable future:

- (i) On 18 May 2016, the Company completed a right issue raising net proceeds of HK\$270,000,000. The Company used HK\$229,300,000 of the net proceeds to early redeem part of the outstanding convertible note as disclosed in note 18(a) to the announcement;
- (ii) On 10 June 2016, the Group entered into an agreement to acquire 100% of the equity interests of Fu Hang Metal (Asia) Limited, which is engaged in trading of stainless steel wires in Hong Kong and the PRC. The directors expect that the acquisition will improve the profitability and operating cash flows of the Group as disclosed in note 21(b) to the announcement;
- (iii) On 17 June 2016, the Group entered into agreements to dispose of certain loss making subsidiaries at a total consideration of HK\$5,080,000 as disclosed in notes 21(c) and (d) to the announcement;
- (iv) The Group will seek to obtain an extension of the repayment of the loan from a former substantial shareholder with a carrying amount of HK\$92,831,000 as at 31 March 2016;
- (v) The Group will seek to obtain additional debt financing from two directors of the Group; and
- (vi) The Group will apply cost cutting measures to reduce administrative expenses and cash outflows for the next twelve months.

The directors are of the opinion that these measures will be successfully implemented and that the Group will therefore be able to meet its financial obligations as may fall due for the foreseeable future. Accordingly, the directors have prepared the consolidated statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to write down the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2015. The adoption of these new and revised HKFRSs did not result in significant changes to Group's accounting policies, presentation of Group's consolidation financial statements and amounts reported for the current and prior year.

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

List of New and revised HKFRSs in issue but not yet effective that are relevant to the Group operation

| | |
|-----------------------------------|---|
| HKFRS 9 | Financial Instruments ¹ |
| HKFRS 15 | Revenue from Contracts with Customers ¹ |
| HKFRS 16 | Leases ² |
| Amendments to HKAS 1 | Disclosure Initiative ³ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ³ |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ³ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle ³ |

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors anticipate that the new and revised HKFRSs will be adopted in the consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all 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 on its results of operations and financial position except as set out below.

HKFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

3. SEGMENT INFORMATION

The Group has one reportable segment during the year.

Beverages - Trading of bottled mineral water and tea products

Four trading of operations (the exploration and exploitation of magnetic sand, trading of scrap metals, trading of coals and bunker fuels) were discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations.

The Group's reportable segment from the continuing operation is the trading of beverages. The revenue represented the income generated from the sales of bottled mineral water and tea products to the Group's customers.

Segment profits or losses do not include corporate administration costs, other operating loss and income tax expense and unallocated other operating income and expenses and other gains and losses. Segment assets do not include financial assets at fair value through profit or loss, derivative financial instruments, available-for-sale investments and unallocated corporate assets which are jointly used by reportable segments. Segment liabilities do not include current tax liabilities, deferred tax liabilities, bank and other borrowings, convertible bonds and unallocated corporate liabilities which are jointly liable by reportable segments.

Information about reportable segment profit or loss, assets and liabilities:

| | Beverages | |
|---|-----------------|----------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Year ended 31 March 2016 | | |
| Revenue from external customers | 1,467 | 10,661 |
| Segment loss | (70,190) | (3,752) |
| Interest expense | 131 | — |
| Depreciation and amortisation | 1,511 | 263 |
| Impairment loss | 46,785 | — |
| Additions to segment non-current assets | 47 | 783 |
| As at 31 March 2016 | | |
| Segment assets | 7,951 | 52,091 |
| Segment liabilities | 6,289 | 1,531 |

Reconciliations of reportable segment profit or loss, assets and liabilities:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Profit or loss | | |
| Total loss of reportable segments | (70,190) | (3,752) |
| Unallocated amounts: | | |
| Other operating income and expenses | (8,732) | 527 |
| Depreciation | (973) | (2,741) |
| Fair value gain on redemption of extinguishing financial liabilities with equity instruments | 251,146 | — |
| Other gains and losses | (52,730) | 180 |
| Interest on convertible bonds | (61,073) | (128,946) |
| Corporate administrative expenses | (34,470) | (42,214) |
| Consolidated profit/(loss) for the year from continuing operations | 22,978 | (176,946) |
| Assets | | |
| Total assets of reportable segments | 7,951 | 52,091 |
| Assets related to discontinued operations | 44,559 | 332,091 |
| Unallocated amounts: | | |
| Financial assets at fair value through profit or loss | — | 295 |
| Derivative financial instruments | 292 | — |
| Available-for-sale financial assets | 6,472 | — |
| Corporate assets | 21,884 | 66,834 |
| Consolidated total assets | 81,158 | 451,311 |
| Liabilities | | |
| Total liabilities of reportable segments | 6,289 | 1,531 |
| Liabilities relating to discontinued operations | 130,182 | 187,063 |
| Unallocated amounts: | | |
| Current tax liabilities | — | 1,327 |
| Deferred tax liabilities | 2,253 | 1,886 |
| Bank and other borrowings | 134,544 | 12,612 |
| Convertible bonds | 445,499 | 857,287 |
| Corporate liabilities | 7,633 | 14,628 |
| Consolidated total liabilities | 726,400 | 1,076,334 |

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue | | Non-current assets | |
|----------------------|------------------|------------------|--------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
| Hong Kong | — | — | 124 | 1,788 |
| PRC except Hong Kong | 1,467 | 3,637 | 21,018 | 25,896 |
| United States | — | 7,024 | — | — |
| Consolidated total | <u>1,467</u> | <u>10,661</u> | <u>21,142</u> | <u>27,684</u> |

Revenue from major customers:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|-------------------|------------------|------------------|
| Beverages segment | | |
| Customer a | 845 | — |
| Customer b | — | 7,024 |
| | <u>—</u> | <u>7,024</u> |

4. REVENUE

The Group's revenue for the year from continuing operations is as follows:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--------------------|------------------|------------------|
| Sales of beverages | <u>1,467</u> | <u>10,661</u> |

5. OTHER OPERATING INCOME AND EXPENSES

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Continuing operations | | |
| Fair value (loss)/gain on financial assets at fair value through profit or loss | (7,436) | 8 |
| Dividend income from listed investments | — | 6 |
| Gain on disposal of property, plant and equipment | 1,518 | — |
| Interest income from loan and receivables | 1 | 31 |
| Discount on advance coupon payment to bondholder | 312 | — |
| Interest income from available for sale financial instruments | 127 | — |
| Net interest receivable on trade balances | — | 2,652 |
| Sundry income | 377 | 486 |
| | <u>(5,101)</u> | <u>3,183</u> |

6. OTHER GAINS AND LOSSES

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Continuing operations | | |
| Fair value loss on derivative component of convertible bonds | (54,855) | — |
| Fair value gain on redemption of convertible bonds liabilities | 251,146 | — |
| Fair value gain on investment properties | 1,173 | 180 |
| Allowance for trade and other receivables | (36,101) | (85) |
| Allowance for slow moving inventories | (10,636) | — |
| Reversal of aging payables | 2,403 | — |
| Impairment of goodwill | (3,435) | — |
| | <u>149,695</u> | <u>95</u> |

7. FINANCE COSTS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Continuing operations | | |
| Finance lease charges | — | 6 |
| Interest on bank loans and overdrafts | 856 | 1,010 |
| Interest on other borrowings | 3,036 | 20 |
| Interest on convertible bonds (note 20) | 61,073 | 129,986 |
| Interest on corporate bonds | 594 | — |
| | <u>65,559</u> | <u>129,982</u> |

8. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|-------------------------------|------------------|------------------|
| Current tax - Overseas | | |
| Provision for the year | — | — |
| Under-provision in prior year | — | — |
| | <u>—</u> | <u>—</u> |
| Deferred tax | 469 | 367 |
| | <u>469</u> | <u>367</u> |

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits for the years ended 31 March 2015 and 2016.

Entities incorporated in other countries are subject to income tax rates of 17% to 30% (2015: 17% to 30%) prevailing in the countries in which such entities operate, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the weighted average tax rate of the consolidated companies and a reconciliation of the weighted average rate to the effective tax rate, are as follows:

| | 2016 | | 2015 | |
|--|---------------|-------------|------------------|--------------|
| | HK\$'000 | % | HK\$'000 | % |
| Profit/(loss) before income tax (from continuing operations) | <u>23,477</u> | | <u>(176,579)</u> | |
| Tax at the weighted average tax rate | 883 | 3.8 | (19,662) | 11.1 |
| Tax effect of income that is not taxable | (42,036) | (179.3) | (32,937) | 18.7 |
| Tax effect of expenses that are not deductible | 31,284 | 133.4 | 44,915 | (25.4) |
| Tax effect of temporary differences not recognised | 382 | 1.6 | 155 | (0.1) |
| Tax effect of utilisation of tax losses not previously recognised | (44) | (0.2) | (95) | (0.1) |
| Tax effect of tax losses not recognised | <u>10,000</u> | <u>42.6</u> | <u>7,991</u> | <u>(4.5)</u> |
| Income tax current at affective tax rate to Continuing operations | <u>469</u> | <u>2.0</u> | <u>367</u> | <u>(0.2)</u> |

9. DISCONTINUED OPERATIONS

During the year the Group ceases its mining business due to the unfavourable market conditions and the failure in securing the renewal of the Exploration Permits as described in note 13 to the announcement.

Accordingly, an impairment loss of HK\$158,568,000 was recognised in the profit or loss during the year for the explanation and evaluation assets.

During the year, the Group initiated a plan to dispose the Group's metal trading, coal trading and bunker fuel trading business (the "Disposal Businesses"). The Group was actively seeking buyers for these businesses and expects to complete the sales within a year. The Disposal Businesses have been classified and accounted for at 31 March 2016 as a disposal group held for sale (note 16).

Subsequent to the end of the reporting period, the Group entered into a sales and purchase agreement with its former substantial shareholder, Kesterion, for the disposal of the metal trading business and part of the coal trading business. Further details of the disposal are set out in the note 21(c) to the announcement.

| | 2016 | 2015 |
|---|-------------------------|---------------------------|
| | HK\$'000 | HK\$'000 |
| Loss for the year from discontinued operations: | | |
| Revenue | 12,728 | 31,829 |
| Cost of sales | (14,130) | (31,830) |
| Administrative expenses | (16,523) | (22,884) |
| Other operating income and expenses | (23,578) | (32,656) |
| Other gains and losses | (267,736) | (1,001,502) |
| Finance costs | (512) | (800) |
| Profit before tax | (309,751) | (1,057,843) |
| Income tax expense | 2,432 | 6,569 |
| Loss for the year from discontinued operations | <u>(307,319)</u> | <u>(1,051,274)</u> |
| Attributable to: | | |
| Owners of the Company | (248,790) | (710,392) |
| Non-controlling interest | (58,529) | (340,882) |
| | <u>(307,319)</u> | <u>(1,051,274)</u> |

Loss for the year from discontinued operations include the following:

| | 2016 | 2015 |
|---|-------------------|-----------------------|
| | HK\$'000 | HK\$'000 |
| Depreciation | 1,858 | 5,927 |
| Cash flows from discontinued operations: | | |
| Net cash inflows/(outflows) from operating activities | 1,838 | (6,170) |
| Net cash outflows from investing activities | (4,847) | (1,490) |
| Net cash inflows from financing activities | 3,838 | 2,585 |
| Net cash inflows/(outflows) | <u>829</u> | <u>(5,075)</u> |

10. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year is stated after charging/(crediting) the following:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Depreciation | 1,391 | 3,004 |
| Fair value gain on investment properties | (1,173) | (180) |
| Operating lease charges in respect of land and buildings | 5,438 | 4,662 |
| Auditor's remuneration | | |
| Audit services | 600 | 750 |
| Non-audit services | 72 | 592 |
| | 672 | 1,342 |
| Cost of inventories sold | 1,711 | 8,896 |
| Allowances for trade and other receivables | 36,101 | 85 |
| Allowance for obsolete inventories | 10,636 | — |
| | <u> </u> | <u> </u> |

11. DIVIDENDS

The directors do not recommend the payment of any dividend (2015: Nil).

12. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Loss | | |
| Loss for the purpose of calculating basic loss per share | 284,341 | 887,338 |
| Finance costs on convertible bonds issued on 18 December 2008 | (16,187) | — |
| Gain on redemption of liability component of convertible bonds issued on 18 December 2008 | 251,146 | — |
| | <u> </u> | <u> </u> |
| Loss for the purpose of calculating diluted earnings per share | <u>519,300</u> | <u>887,338</u> |

| | 2016 | 2015 |
|--|------------------|-------------|
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | 2,316,235 | 1,056,970 |
| Effect of dilutive potential ordinary shares for the purpose of calculating diluted earnings per share | 245,355 | — |
| | 2,561,590 | 1,056,970 |

The exercise of the Group's outstanding convertible bond issued on 12 May 2015 would be anti-dilutive and there were no dilutive potential ordinary shares of the Company's outstanding share options for both year.

(b) From continuing operation

The calculation of the basic and diluted earnings per share from continuing operations is based on the following:

| | 2016 | 2015 |
|---|------------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Loss | | |
| Profit/(loss) for the purpose of calculating basis earning per share | 22,978 | (176,946) |
| Finance costs on convertible bonds issued on 18 December 2008 | 16,187 | — |
| Gain on redemption of liability component of the convertible bonds issued on 18 December 2008 | (251,146) | — |
| Loss for the purpose of calculating dilated loss per share | (211,981) | (176,946) |

The weighted average numbers of ordinary shares used as denominates in calculating the basic earnings per share are the same.

(c) From discontinued operations

Basic loss per share from the discontinued operations is HK13.27 cents per share (2015: HK66.46 cents per share), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK\$307,319,000 (2015: approximately HK\$710,393,000) and the denominators used are the same as those detailed above for basic loss per share.

Diluted loss per share

The exercise of the Group's outstanding convertible bonds would be anti-dilutive. There were no dilutive potential ordinary shares of the Company's outstanding share options for discontinued operations for both years, no diluted loss per share for discontinued operations was presented in both years.

13. EXPLORATION AND EVALUATION ASSETS

| | Exploration rights | Evaluation expenditure | Total |
|--|-------------------------------|-----------------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost | | | |
| At 1 April 2014 | 8,429,879 | 16,562 | 8,446,441 |
| Additions | — | 6 | 6 |
| | <u>8,429,879</u> | <u>16,568</u> | <u>8,446,447</u> |
| At 31 March 2015, 1 April 2015 and 31 March 2016 | 8,429,879 | 16,568 | 8,446,447 |
| Accumulated impairment | | | |
| At 1 April 2014 | 7,342,417 | — | 7,342,417 |
| Impairment loss | 945,462 | — | 945,462 |
| | <u>8,287,879</u> | <u>—</u> | <u>8,287,879</u> |
| At 31 March 2015 and 1 April 2015 | 8,287,879 | — | 8,287,879 |
| Impairment loss | 142,000 | 16,568 | 158,568 |
| | <u>8,429,879</u> | <u>16,568</u> | <u>8,446,447</u> |
| At 31 March 2016 | 8,429,879 | 16,568 | 8,446,447 |
| Carrying amount | | | |
| At 31 March 2016 | <u>—</u> | <u>—</u> | <u>—</u> |
| At 31 March 2015 | <u>142,000</u> | <u>16,568</u> | <u>158,568</u> |

As at 31 March 2016, Mogan owned two exploration permits (“EPs”) to explore iron ore and other associated mineral in specified offshore area in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines (the “Exploration Area”). The EPs issued by the Mines and Geosciences Bureau of Philippines (the “MGB”) is valid for two years from its first renewal date on 22 June 2012 and is renewable for a further term of 2 years. Mogan applied for the second renewal of its EPs during the year ended 31 March 2015 but fail in securing the renewal before the EPs are due to final expire on 22 June 2016.

On 15 June 2010, Mogan submitted an application to MGB for a mineral production sharing agreement (the “MPSA”) in respect of 5,000 hectares within the Exploration Area. A MPSA is an agreement between a contractor and MGB, acting on behalf of the Government of the Philippines, whereby the Government of the Philippines grants the contractor exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resources in the specified area for a term of 25 years starting from the execution date and is renewable for another term not exceeding 25 years.

The acceptance of the application of the MPSA involve various phases, including but not limited to, the evaluation of feasibility studies, environmental work plan and financial capability of Mogan; the obtaining of area status and clearance; and public consultation by regional and central offices of the MGB and the DENR.

As of the approval date of the consolidated financial statements, the MPSA were yet to be awarded to Mogan and the EPs were expired.

Impairment test

During the year, the Group ceased its mining business due to unfavorable market condition and the failure to secure renewal of the exploration permits. Accordingly, full impairment loss of HK\$158,568,000 was recognised in respect at the exploration and evaluation assets.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2016 | 2015 |
|----------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Unlisted equity securities | 6,472 | — |

The available-for-sale financial assets were initially measured at fair value less any direct transaction cost and were subsequently carried at fair value.

The fair value of the assets at initial recognition and at the end of the reporting period were determined by Greater China Appraisal Limited, an independent professionally qualified valuer, on direct comparison of trading price of comparable business (level 3 based measurement). The key input used is Price-to-Book Value.

The available-for-sale financial assets are classified as current assets and denominated in Australia dollars as at year end date.

15. TRADE AND OTHER RECEIVABLES

| | 2016 | 2015 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade receivables | 3 | 84,748 |
| Advance payment to a former substantial shareholder | — | 10,313 |
| Deposits paid to suppliers | — | 15,959 |
| Interest receivables on trade balances | — | 28,681 |
| Rental and other deposits | 3,641 | 2,421 |
| Prepayments and other receivables | 3,205 | 45,641 |
| | 6,849 | 187,763 |

| | 2016 | 2015 |
|---------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade receivables | 96,222 | 105,957 |
| Allowance for trade receivables | (96,219) | (21,209) |
| | 3 | 84,748 |

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. The credit terms generally range from 1 to 30 days (2015: 1 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

| | 2016 | 2015 |
|----------------|-----------------|---------------|
| | HK\$'000 | HK\$'000 |
| 0 to 90 days | 3 | 4,064 |
| 91 to 180 days | — | 1,696 |
| Over 180 days | — | 78,988 |
| | <u>3</u> | <u>84,748</u> |

As at 31 March 2016, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$96,219,000 (2015: HK\$21,209,000).

Reconciliation of allowance for trade receivables:

| | 2016 | 2015 |
|---|----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| At 1 April | 21,209 | 69 |
| Allowance for the year | 79,044 | 21,146 |
| Transfer of disposal group classified as held for sales | (3,966) | — |
| Exchange differences | (68) | (6) |
| At 31 March | <u>96,219</u> | <u>21,209</u> |

As at 31 March 2016, (2015: HK\$24,048,000) no trade receivables were past due but not impaired. The balance as at 31 March 2015 relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

| | 2016 | 2015 |
|----------------|-----------------|---------------|
| | HK\$'000 | HK\$'000 |
| Up to 3 months | — | 5,236 |
| 3 to 6 months | — | 3,343 |
| Over 6 months | — | 15,469 |
| | <u>—</u> | <u>24,048</u> |

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

| | 2016 | 2015 |
|------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Renminbi ("RMB") | 3 | 65,958 |
| USD | — | 18,359 |
| SGD | — | 431 |
| | 3 | 84,748 |

16. ASSETS CLASSIFIED AS HELD FOR SALE

| | 2016 | 2015 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Leasehold building (Note a) | 35,048 | — |
| Assets related to the Disposal Business (Note b) | 3,155 | — |
| | 38,203 | — |
| Liabilities directly associated with assets classified as held for sale | 129,588 | — |

Note a:

On 30 July 2015, the Group has received an acceptance, from a third party, of an Option To Purchase OTP issued by the Group on 29 July 2015, which offered an option to purchase the Group's leasehold building in Singapore at a price of SGD6,180,000. Completion of the leasehold building disposal is subject to the approval by the Jurong Town Corporation ("JTC") of the Singapore government.

Accordingly, the leasehold building has been presented as asset classified as held for sale and carried at fair value less costs to sell. A revaluation deficit of HK\$7,654,000 was recognised in the other comprehensive income for the year immediately before the reclassification.

On 3 December 2015, JTC rejected the proposed disposal and the Group continued to seek for potential buyer.

As at 31 March 2016, the leasehold building is grouped together with other assets of the Disposal Businesses upon the Group's decision for the disposal of its Disposal Businesses.

The leasehold building classified as held for sale was revalued on 31 March 2016 by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, an independent professionally qualified valuer, on direct comparison of price properties of similar size, character and location (level 3 based measurement). The key input used is the price per square meter.

The leasehold building classified as held for sale is pledged as security for the Group's bank loans amounted to HK\$8,121,000 (included in the liabilities associated with the disposal group classified as held for sale).

Note b:

As described in note 9, the Group is seeking to dispose of its Disposal Businesses and anticipates that the disposal will be completed by within one year. The major classes of assets and liabilities of the Disposal Businesses at the end of the reporting period are as follows:

| | 2016 |
|---|-----------------|
| | HK\$'000 |
| Property, plant and equipment | 36,100 |
| Intangible assets | 313 |
| Trade and other receivables | 381 |
| Cash and bank balances | 1,409 |
| | <hr/> |
| Assets of Disposal Businesses classified as held for sale | 38,203 |
| | <hr/> |
| Trade and other payables | 120,887 |
| Finance lease payable | 580 |
| Bank and other borrowings | 8,121 |
| | <hr/> |
| Liabilities of Disposal Businesses associated with assets classified as held for sale | 129,588 |
| | <hr/> |
| Net liabilities of the Disposal Businesses classified as held for sale | 48,192 |
| | <hr/> <hr/> |

17. TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|--|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| Trade payables | 627 | 53,427 |
| Payable to Magic Stone Fund (China) (note (a)) | — | 82,179 |
| Accruals | 7,889 | 14,070 |
| Other payables (note (b)) | 4,964 | 39,317 |
| | <hr/> | <hr/> |
| | 13,480 | 188,993 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

- (a) During the year ended 31 March 2015, the Group entered into a settlement agreement ("Settlement Agreement") with Magic Stone Fund (China) ("Magic Stone"), pursuant to which the Group agreed to:
- pay Magic Stone RMB51,884,000 (equivalent to approximately HK\$65,436,000) in cash before 28 February 2015;
 - pay Magic Stone USD17,000,000 (equivalent to approximately HK\$131,835,000) in cash before 28 February 2015; and
 - issue and allot 80,000,000 ordinary shares each fully paid at an issue price of HK\$0.5 per share to Magic Stone after the completion of the rights issue and before 28 February 2015.

The performance of the above settlement arrangement is secured by the interests of Kesterion in the Company's shares and convertible bonds (the "Kesterion Charge"). Any balance remains outstanding after 28 February 2015 shall bear interest of 18.3% per annum.

The Settlement Agreement constitutes a significant modification of the terms of an existing financial liability and therefore has been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The gain of HK\$14,761,000 between the carrying amount of the original financial liability and the fair value of the consideration paid is recognised in the profit or loss for the year.

As at 31 March 2015, the Group had outstanding payable to Magic Stone, which were denominated in RMB and USD, totaling HK\$82,179,000.

During current year, the payable to Magic Stone was fully settled and the relevant charge over Kesterion's ownership on the shares of the Company was released accordingly.

- (b) As at 31 March 2016, included in the other payables were three (2015: two) short term loans from an independent third party amounting to RMB1,650,000 (2015: HK\$1,100,000). All loans are unsecured, amongst of (i) RMB500,000 bearing interest of 6% per annum and repayable on demand; (ii) RMB1,000,000 was interest-free, repayable on 31 July 2016; and (iii) RMB 150,000 bearing interest of 6% per annum and repayable on 23 February 2017 (2015: all loans were unsecured, bearing interest of 6% per annum and are repayable in or within one year from the end of reporting period). The carrying amounts of the balances approximate to their fair values.

As at 31 March 2016, the aging analysis of the trade payables, based on the date of receipt of goods, is as follows:

| | 2016 | 2015 |
|----------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| 0 to 90 days | — | 1,034 |
| 91 to 180 days | — | 503 |
| Over 180 days | 627 | 51,890 |
| | 627 | 53,427 |

The carrying amounts of the trade payables are denominated in the following currencies:

| | 2016 | 2015 |
|-------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| RMB | 149 | 610 |
| USD | 478 | 51,870 |
| SGD | — | 947 |
| Total | 627 | 53,427 |

18. SHARE CAPITAL

| | Authorised | | Issued and fully paid | |
|---|------------------------|--------------------|-----------------------|--------------------|
| | Number of shares | Amount HK\$'000 | Number of shares | Amount HK\$'000 |
| Ordinary share of HK\$0.5 each at 1 April 2014 | 2,000,000,000 | 1,000,000 | 942,899,080 | 471,450 |
| Increase (note (a)) | 3,000,000,000 | 1,500,000 | — | — |
| Issue of share on acquisition of a subsidiary (note (b)) | — | — | 66,285,000 | 33,142 |
| Issue of rights shares (note (c)) | — | — | 302,755,224 | 151,378 |
| Issue of bonus shares (note (c)) | — | — | 201,836,816 | 100,918 |
| Issue of share in accordance with settlement agreement with Magic Stone (note (d)) | — | — | 80,000,000 | 40,000 |
| Ordinary share of HK\$0.5 each at 31 March 2015 and 1 April 2015 | 5,000,000,000 | 2,500,000 | 1,593,776,120 | 796,888 |
| Conversion from convertible bonds (note (e)) | — | — | 936,000,000 | 468,000 |
| Capital reduction (note (f)) | — | — | — | (1,239,590) |
| Sub-division (note (f)) | 245,000,000,000 | — | — | — |
| Ordinary share of HK\$0.01 each at 31 March 2016 | <u>250,000,000,000</u> | <u>2,500,000</u> | <u>2,529,776,120</u> | <u>25,298</u> |

Notes:

- (a) Pursuant to an ordinary resolution passed at the extraordinary general meeting on 9 January 2015, the authorised share capital of the Company was increased from HK\$1,000,000,000 to HK\$2,500,000,000 by the creation of 3,000,000,000 ordinary shares of par value of HK\$0.5 each in the capital of the Company and such shares rank pari passu with other existing shares of the Company.
- (b) On 24 June 2014, the Company issued 66,285,000 new ordinary shares in satisfying the contingent consideration for the acquisition of a subsidiary. The contingent consideration payable was derecognised accordingly.
- (c) Pursuant to an ordinary resolution passed at the extraordinary general meeting on 9 January 2015, the Company announced the proposed rights issue (the "Rights Issue") by way of issue of rights on the basis of three rights shares of HK\$0.5 each (the "Rights Share") for every ten shares in issue and held on the record date at the subscription price of HK\$0.5 per Rights Share with bonus issue (the "Bonus Issue") for the proposed issue of bonus shares of HK\$0.5 each (the "Bonus Share") on the basis of two Bonus Shares for every three Rights Shares taken up under the Rights Issue.

The Rights Issue and Bonus Issue were completed on 11 February 2015, the Company allotted and issued 302,755,224 Rights Shares and 201,836,816 Bonus Shares. Accordingly, the Company increased its issued share capital by the nominal values of approximately HK\$151,378,000 and HK\$100,918,000 respectively.

- (d) On 27 February 2015, the Company issued 80,000,000 new ordinary shares in satisfying the settlement clauses as stated in the Settlement Agreement entered with Magic Stone.
- (e) On 15 May 2015, 9 June 2015, 15 June 2015, 6 August 2015 and 21 August 2015 respectively, the Company issued a total of 936,000,000 shares at HK\$0.5 per share on conversion of an amount of US\$60,000,000 (equivalent to HK\$468,000,000) in aggregate of the convertible bonds issued on 12 May 2015.
- (f) Pursuant to a resolution passed in the extraordinary general meeting held on 24 September 2015, the Company announced (i) the proposed capital reduction to reduce the par value of each issued share of the Company from HK\$0.5 to HK\$0.01 by cancelling the capital paid-up thereon to the extent of HK\$0.49 on each of its issued shares (the "Capital Reduction") and (ii) to sub-divide the authorised but unissued shares of HK\$0.5 each into fifty new shares of HK\$0.01 each (the "Sub-Division").

The Capital Reduction and Sub-division became effective on 23 December 2015 and the credit arising from the Capital Reduction approximately HK\$1,239,590,000 has been applied towards offsetting the accumulated deficit of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated deficit of the Company.

19. BANK AND OTHER BORROWINGS

| | 2016 | 2015 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Bank loans | 11,919 | 16,621 |
| Bank overdrafts | — | 8,424 |
| Loan from a former substantial shareholder | 92,831 | — |
| Loan from independent third parties | 10,000 | — |
| Corporate bonds | 19,794 | — |
| | 134,544 | 25,045 |

The borrowings are repayable as follows:

| | 2016 | 2015 |
|--|------------------|----------|
| | HK\$'000 | HK\$'000 |
| Within one year | 114,750 | 24,936 |
| More than one year, but not exceeding two years | — | 109 |
| More than two years | 19,794 | — |
| | 134,544 | 25,045 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (114,750) | (24,936) |
| Amount due for settlement after 12 months | 19,794 | 109 |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | Hong Kong | | Singapore | |
|--|------------------|---------------|------------------|----------------|
| | dollars | Renminbi | dollars | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 2016 | | | | |
| Bank loans | — | 11,919 | — | 11,919 |
| Bank overdrafts | — | — | — | — |
| Loan from former substantial shareholder | 92,831 | — | — | 92,831 |
| Loan from independent third parties | 10,000 | — | — | 10,000 |
| Corporate bond | 19,794 | — | — | 19,794 |
| | <u>122,625</u> | <u>11,919</u> | <u>—</u> | <u>134,554</u> |
| 2015 | | | | |
| Bank loans | — | 12,612 | 4,009 | 16,621 |
| Bank overdrafts | — | — | 8,424 | 8,424 |
| | <u>—</u> | <u>12,612</u> | <u>12,433</u> | <u>25,045</u> |

The average interest rate at 31 March were as follows:

| | 2016 | 2015 |
|--|------------------------|-----------------|
| Bank loans | 6.6% | 6.7% |
| Bank overdrafts | Prime rate+0.5% | Prime rate+0.5% |
| Loan from former substantial shareholder | 5% | N/a |
| Loan from independent third party | 1.5% | N/a |
| Corporate bond | 4.5% | N/a |

Bank loans and bank overdrafts are arranged at floating rates and expose the Group to cash flow interest rate risk. Other borrowings are arranged at fixed interest rates, thus exposing the Group to cash flow interest rate risk.

At 31 March 2016, bank loans of HK\$11,919,000 (2015: HK\$12,612,000) are secured by a charge over the Group's investment properties amounted to approximately HK\$18,836,000 (2015: HK\$18,614,000) as at year end date and guarantee executed by the director of the Company and an individual company.

At 31 March 2015, bank loans and bank overdrafts of HK\$4,009,000 and HK\$8,424,000 respectively are secured by a charge over the Group's leasehold building classified property, plant and equipment amounted to approximately HK\$43,305,000 and guarantee executed by the director of the Company.

The loan from former substantial shareholder and corporate bond issued during current year are unsecured and repayable within one year and in eight years as of the year end date respectively.

At 31 March 2016, the Group had available undrawn borrowing facilities of HK\$728,000 (2015: HK\$125,451,000).

20. CONVERTIBLE BONDS

| | Note | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------|------------------|------------------|
| Non-current liabilities | | | |
| Liability component of: | | | |
| Convertible bonds issued on 18 December 2008 | (a) | — | 857,287 |
| Convertible bonds issued on 12 May 2015 | (b) | <u>445,499</u> | — |
| | | <u>445,499</u> | <u>857,287</u> |
| Current assets | | | |
| Derivative component of: | | | |
| Convertible bonds issued on 12 May 2015 | | <u>(292)</u> | — |

(a) Convertible bonds issued on 18 December 2008

On 18 December 2008, the Company entered into a subscription agreement with Kesterion Investments Limited (“Kesterion”) for the issue of unsecured zero coupon convertible bonds with an aggregate principal amount of USD655,128,205 (equivalent to approximately HK\$5,110,000,000) (the “Old CB”) in connection with the acquisition of 64% equity interest in Mogan. The Old CB are convertible, at any time between the issue date and maturity date, and at the option of the holders, into ordinary shares of the Company at a fixed conversion price of HK\$0.70 per conversion share, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued. In 2011, the conversion price of the Old CB was adjusted to HK\$22.79 per share upon the completion of the capital reorganisation, share consolidation and rights issue.

The Old CB are redeemable in part(s) or in full by the Company, using an agreed fixed exchange rate of USD1 = HK\$7.8, at any time before the maturity date on 18 December 2018. On the maturity date, the Old CB will be redeemed at par, using an agreed fixed exchange rate of USD1 = HK\$7.8.

The movements of the liability of the Old CB for the year ended 31 March 2016 are as follows:

| | Liability component HK\$'000 | Principal amount HK\$'000 |
|--|------------------------------------|---------------------------------|
| At 1 April 2014 | 728,341 | 1,571,500 |
| Imputed interest charged for the year (note 7) | <u>128,946</u> | — |
| At 31 March 2015 and 1 April 2015 | 857,287 | 1,571,500 |
| Imputed interest charged for the year (note 7) | 16,187 | — |
| Redemption during the year | <u>(873,474)</u> | <u>(1,571,500)</u> |
| At 31 March 2016 | <u>—</u> | <u>—</u> |

During the year the Old CB were fully redeemed under a restructuring exercise as are set out in note (b) below.

The interest charged for the year is calculated by applying an effective interest rate of 17.7% (2015: 17.7%) per annum to the liability component.

(b) Convertible bonds issued on 12 May 2015

On 22 September 2014, the Company and Kesterion entered into a bond restructuring agreement, which was amended by a supplementary agreement on 1 November 2014 (collectively referred to as the “Bond Restructuring Agreements”). Pursuant to the Bond Restructuring Agreements, the Company and Kesterion conditionally agreed that:

- (i) the terms of Old CB will be amended to grant the Company a right to redeem all the outstanding Old CB at a redemption price of USD140,000,000 (equivalent to approximately HK\$1,092,000,000);
- (ii) the Company will exercise such redemption right; and
- (iii) in satisfaction and cancellation of the redemption amount payable under the amended Old CB following such redemption, the Company will issue the new bonds (the “New CB”) to Kesterion. The New CB is a five-year 2.0% convertible bonds in principal amount of USD140,000,000. The coupon is payable in arrear semi-annually from the issue date.

The holder of the New CB has the right to convert the New CB into the ordinary shares of the Company at a fixed conversion price of HK\$0.5, at any time before the maturity date.

The Company shall have the right, at its options, to redeem any portion of or the entire outstanding principal amount of all of the New CB held by Kesterion at 110% of the principal amount at any time before the maturity date.

On maturity date, the New Bonds will be redeemed at par, using a fixed exchange rate of USD1:HK\$7.8.

On 12 May 2015, all the condition precedents to the Bond Restructuring Agreement has been fulfilled. Accordingly the Company has fully redeemed the Old CB and issued the New Bonds in accordance with the terms of the Bond Restructuring Agreement.

The fair value of the New Bonds at the issue date has been split between the liability component, the derivative component and the equity component as follows:

| | HK\$'000 |
|---|---------------------------|
| Liability component at issue date | 718,835 |
| Derivative component at issue date | (96,507) |
| Equity component at issue date | <u>397,675</u> |
| Fair value of the New Bonds at issue date | 1,020,003 |
| Carrying amount of Old Bonds at redemption date | |
| – Liability component | (873,474) |
| – Equity component | <u>(1,263,605)</u> |
| Gain on redemption of Old CB | <u><u>(1,117,076)</u></u> |

The difference between the liability components of the Old CB and the New CB of HK\$251,146,000 is recognized in the profit or loss for the year ended 31 March 2016. Whereby the difference between the equity components of the Old CB and the New CB is directly transferred to the accumulated loss in the consolidated statement of changes in equity.

The movements of each components and principal amount of the convertible bonds for the year ended 31 March 2016 are as follows:

| | Liability component | Derivative component |
|---------------------------------------|--------------------------------|---------------------------------|
| | HK\$'000 | HK\$'000 |
| Issue of New Bonds | 718,835 | (96,507) |
| Conversion into shares (note 19(e)) | (311,982) | 41,360 |
| Coupon payment | (6,240) | — |
| Imputed interest charged for the year | 44,886 | — |
| Fair value gain | — | 54,855 |
| | <u> </u> | <u> </u> |
| At 31 March 2016 | <u>445,499</u> | <u>(292)</u> |

The interest charged for the year is calculated by applying an effective interest rate of 11.38% (2015: N/a) per annum to the liability component.

The fair value of New CB as a whole at issue date and the derivative component of the New CB at the end of the reporting period are estimated using the Black-Scholes model with Trinomial Tree Method (level 3 fair value measurement). The key assumptions used are as follows:

| | At 31 March 2016 | At date of issue |
|---------------------------|-----------------------------|-----------------------------|
| The Company's share price | HK\$0.056 | HK\$0.375 |
| Conversion price | HK\$0.5 | HK\$0.5 |
| Risk-free rate | 1.08535 | 1.6535% |
| Volatility | 73.7866% | 51.4604% |
| Expected dividend yield | Nil | Nil |
| Expected lift | 4.12 years | 5 years |

21. EVENTS AFTER THE REPORTING PERIOD

- (a) On 18 May 2016, the Company completed a rights issue on the basis of eight rights shares for every one ordinary share held on the record date at a subscription price of HK\$0.112 per rights share. A total number of 2,529,776,120 ordinary shares of HK\$0.01 each were issued with net proceeds of approximately HK\$270,000,000. The Company used HK\$229,300,000 of the net proceeds to early redeem the outstanding convertible bonds issued on 12 May 2015 with the principal amounts of US\$30,000,000.
- (b) On 10 June 2016, the Group entered into an agreement with Link Long Limited (the "Vendor") to acquire 100% of the issued share capital of Fu Hang Metal (Asia) Limited ("the Target") at the consideration of HK\$12,500,000 which has been satisfied by (i) HK\$4,000,000 in cash and (ii) HK\$8,500,000 by the issue of the promissory note to the Vendor. The Target is engaged in trading of stainless steel wires in Hong Kong and the PRC. The preliminary valuation of 100% equity interest in the Target is approximately HK\$14,000,000 as at 31 March 2016. Details of the acquisition are set out in the Company's announcement dated 10 June 2016.
- (c) On 17 June 2016, a wholly-owned subsidiary of the Company, BSE, entered into a sales and purchase agreement with an independent third party (the "Purchaser"). Pursuant to which the Purchaser agreed to buy and BSE agreed to sell the entire shareholding of subsidiary of the Group at a consideration of HK\$80,000. Up to date of this report, the transaction is yet to be completed. The disposed subsidiary is principally engaged in beverage trading business. Details of the transaction are set out in the Company announcement dated 17 June 2016.
- (d) On 17 June 2016, BSE entered into a sales and purchase agreement with Kesterion. Pursuant to which Kesterion agreed to buy and BSE agreed to sell the entire shareholding of the Group at a consideration of HK\$5,000,000. Up to date of this report, the transaction is yet to be completed. The disposed subsidiary is principally engaged in metal trading business and part of the coal trading business. Details of the transaction are set out in the Company announcement dated 17 June 2016.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The independent auditor of the Group will issue a disclaimer of opinion on the consolidated financial statements of the Group. The below section set out an extract of independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2016:

Basis for disclaimer of opinion

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss of approximately HK\$290,842,000 (2015: HK\$1,223,479,000) for the year ended 31 March 2016 and as at 31 March 2016 the Group had net current liabilities of approximately HK\$205,310,000 (2015: net current assets HK\$1,512,000) and net liabilities of approximately HK\$645,242,000 (2015: HK\$625,023,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to (i) obtaining extension for the repayment of the loan from a former substantial shareholder amounting to HK\$92,831,000 as at 31 March 2016; and (ii) obtaining additional debt financing from two directors of the Group. The financial statements do not include any adjustments that would result from the failure to obtain this financial support.

Up to the date of this report, the Group was not entered into any agreements with the former substantial shareholders or the two directors with regards to the loan extension and debt financing respectively. We were unable to obtain confirmations from these parties that they would extend the repayment date of the loan and provide debt financing. In addition, we were not provided with the financial information of the two directors to support their capability to advance the necessary funds. Therefore, we were unable to obtain sufficient appropriate audit evidence that the Group will obtain this financial support. There were no other satisfactory procedures that we could adopt in this regard.

Accordingly, we are unable to determine whether the directors' use of going concern assumption in preparing the consolidated financial statements is appropriate in the circumstances. Shall the Group be unable to continue as a going concern, adjustments would have to make to the consolidated financial statements to write down the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements. In all other respects, in our opinion, the financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 2 to 3.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: Nil).

BUSINESS REVIEW

MINERALS EXPLORATION & EXPLOITATION

During the year ended 31 March 2016, the renewal of exploration permits and application of mineral production sharing agreement for the exploration and exploitation activities in the Leyte Gulf, Philippines were still being processed by the local government. In view of this, the Group decided to cease its mining business during the year. On 24 June 2016, the exploration permits expired and has been terminated automatically.

Accordingly full impairment was made on the fair value of the exploration and evaluation assets in The Philippines, which amounted to HK\$158,568,000 for the year ended 31 March 2016.

BEVERAGE

Distribution results of bottled spring water in the PRC was disappointing. There was only minimal sales throughout the year. On the other hand, discussions in respect of the potential acquisition of the Canada bottled water manufacturer has been effectively suspended as there are still major differences in views between the negotiation parties. This results in the management to actively seek for new areas of growth.

METAL TRADING

Scrap metal trading became the major revenue-contributor during the year. However, due to the stringent environmental protection requirements in Singapore, the gross profit margin of the scrap metal processing is low. Given the deteriorating financial results and unsatisfactory performance of the business over the past two years, the management initiated a plan during the year to realize the investment in the business rather than devoting further resources to the business which is loss making.

PROSPECTS

TRADING OF STAINLESS STEEL WIRES

Subsequent to the year end, Fu Hang Metal (Asia) Limited, a company established in Hong Kong and is engaged in trading of stainless steel wires in Hong Kong and the PRC, became a wholly owned subsidiary of the Group. The management considers that this acquisition as an opportunity for the Group to expand its business in an industry with growth potential.

TRADING OF COSMETIC AND SKINCARE PRODUCTS

To further broaden the source of income of the Group, the Group has commenced the trading of cosmetic and skincare products in June 2016. The Group primarily imports the cosmetic and skincare products from Korea and sell the products on a wholesale basis to distributors in Hong Kong and the PRC.

FINANCIAL REVIEW

The Group's revenue of beverages in 2016 amounted to approximately HK\$1,467,000 (2015: approximately HK\$10,661,000), decreased by approximately HK\$9,194,000 as compared to the same period in 2015.

The Group has incurred a gross loss of approximately HK\$244,000 (2015: a gross profit of approximately HK\$1,765,000). Other operating loss, net amounted to approximately HK\$5,101,000 (2015: other operating income of approximately HK\$3,183,000). Loss for the year decreased to approximately HK\$284,341,000 as compared to approximately HK\$1,228,220,000 in last year.

The significant decrease in loss for the year was mainly attributable to the limited recording of an impairment of HK\$158,568,000 of the fair value of the exploration and evaluation assets as at 31 March 2016 (2015: HK\$945,462,000). Full details of the impairment are reported in note 23 to the consolidated financial statements.

CAPITAL STRUCTURE AND LIQUIDITY

Redemption of Convertible Bonds and Issuance of New Bonds

The restructuring of convertible bonds was completed on 12 May 2015. The outstanding convertible bonds in principal amount of US\$201,474,359 (equivalent to approximately HK\$1,571,500,000) due for repayment in 2018 ("Old CB") were fully redeemed by issuance of convertible bonds in principal amount of US\$140,000,000 (equivalent to approximately HK\$1,092,000,000) due in 2020 ("New CB"). A one-off fair value gain on redemption of the convertible bonds liabilities of approximately HK\$251,146,000 (2015: Nil) was recorded (further details in note 20 to this announcement).

During the year, the New CB in principal amount of US\$60,000,000 (equivalent to approximately HK\$468,000,000) were converted at HK\$0.50 per share into 936,000,000 issued shares of the Company according to terms of the deed of New CB.

As at 31 March 2016, the Company has outstanding 2% convertible bonds with a carrying value of approximately HK\$624,000,000 (31 March 2015: zero coupon rate convertible bonds with a carrying value of approximately HK\$857,287,000) convertible into 248,000,000 ordinary shares (31 March 2015: 68,955,682 ordinary shares) of the Company of HK\$0.50 each. The convertible bonds with outstanding principal amount totalling US\$80,000,000 (equivalent to approximately HK\$624,000,000) are due for full redemption on 12 May 2020. On 12 February 2016, a holder of the convertible bonds has agreed with the Company to have the partial early redemption of the convertible bonds with principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000). This was completed on 18 May 2016.

Capital reduction of issued shares and sub-division of unissued shares

On 19 June 2015, the Company proposed to implement a reduction of the issued share capital by reducing the par value of each issued share of the Company ("Share") from HK\$0.50 to HK\$0.25 by cancelling the paid up share capital to the extent of HK\$0.25 per issued Share ("Original Capital Reduction") so that following such reduction, each issued Share with a par value of HK\$0.50 in the share capital of the Company shall become one (1) new share with par value of HK\$0.25 each ("Original New Share"). Immediately following the Original Capital Reduction, each of the authorised but unissued Shares with par value of HK\$0.50 be subdivided into two (2) Original New Shares with par value of HK\$0.25 each ("Original Sub-division").

On 20 August 2015, the Company proposed to extend the Original Capital Reduction and the Original Sub-division. The Company therefore proposed a reduction of the issued share capital by reducing the par value of each issued Shares from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued Share ("Capital Reduction") so that following such reduction, each issued Share with a par value of HK\$0.50 in the share capital of the Company shall become one (1) new share with par value of HK\$0.01 ("New Share"). Immediately following the Capital Reduction, each of the authorised but unissued Shares with par value of HK\$0.50 shall be subdivided into fifty (50) New Shares with par value of HK\$0.01 each ("Sub-division").

The Capital Reduction and the Sub-division were approved by the Shareholders by way of special resolution at the extraordinary general meeting of the Company on 24 September 2015 and the Capital Reduction and the Sub-division were effective on 23 December 2015.

The credit arising from the Capital Reduction approximately HK\$1,239,590,000 has been applied towards offsetting the accumulated deficit of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated deficit of the Company.

Right Issue

On 18 May 2016, the Company completed a rights issue in the basis of eight rights shares for every one ordinary share held on the record date at a subscription price of HK\$0.112 per rights share (the "Rights Issue"). A total number of 2,529,776,120 ordinary shares of HK\$0.01 each were issued with net proceeds of approximately HK\$270,000,000. The Company applies the net proceeds from the Rights Issue as to (i) approximately HK\$229,300,000 for early partial redemption of the outstanding convertible bonds at the end of the reporting period; (ii) approximately HK\$5,500,000 for repayment of the loan at the end of the reporting period and payment of interest accrued thereon; and (iii) the remaining balance of approximately HK\$35,300,000 million as general working capital for existing businesses of the Group.

As at 31 March 2016, the Group has a current ratio of approximately 0.21 time (31 March 2015: approximately 1.01 times). Gearing ratio, calculated based on non-current liabilities of approximately HK\$467,546,000 (31 March 2015: approximately HK\$859,918,000) against total deficit of approximately HK\$645,242,000 (31 March 2015: total deficit of approximately HK\$625,023,000) decreased from -137.58% for 2015 to -72.46% for 2016.

As at 31 March 2016, the Group did not have any material contingent liability (31 March 2015: Nil).

As at 31 March 2016, the Group did not have any material capital commitment (31 March 2015: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the year.

Subsequent to the year end, on 10 June 2016, a wholly owned subsidiary of the Company, Zhanhui Limited, completed the acquisition from Link Long Limited, a company incorporated in the British Virgin Islands and it is an independent third party, of all issued share of Fu Hang Metal (Asia) Limited, a company incorporated in Hong Kong, which is principally engaged in trading of stainless steel wires in Hong Kong and the PRC. Total purchase consideration was HK\$ 12,500,000 which has been satisfied as to HK\$4,000,000 in cash and HK\$8,500,000 by the issue of the promissory notes. The management considers that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income. In this connection, the management considers that this acquisition as an opportunity for the Group to expand its business in an industry with growth potential.

On 17 June 2016, a wholly owned subsidiary of the Company, Black Sand Enterprises Limited, has entered into a sales and purchase agreements with Mr. Nick Chua Chee Ming, who is an independent third party, to sell all issued share of Pan Asia Mining (Beijing) Company Limited, a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company before the disposal, which is principally engaged in trading of bottled mineral water and tea products in the PRC. The total consideration is HK\$80,000, which shall be satisfied by cash within 10 days after completion of the transaction, which was subject to obtaining relevant approval from relevant PRC governmental authorities. Given the negative operating results of the business in recent years, the management intends to realize the investment in the business rather than devoting further resources to the business which is loss making. It is expected that the net proceeds from the disposal will be used for general working capital of the Group.

On the same day, a wholly owned subsidiary of the Company, Black Sand Enterprises Limited, has entered into a sales and purchase agreements with Ms. Eva Wong, the spouse of Mr. Michael Koh Tat Lee who was an ex-executive director of the Group, to sell all issued share of Black Sand International (Singapore) Pte. Limited, a company incorporated in Singapore and is an indirect wholly-owned subsidiary of the Company before the disposal, which is principally engaged in trading of scrap metals in Singapore. The total consideration is HK\$ 5,000,000, which shall be satisfied by setting off against part of the loan provided by Kesterion Investment Limited (“Kesterion”) before (in which Kesterion is a company incorporated in the British Virgin Islands and is wholly-owned by Ms. Eva Wong) at completion of the transaction, which was subject to obtaining relevant approval from relevant governmental authorities, the Board and the independent shareholders at the extraordinary general meeting of the Company. Given the deteriorating financial results and unsatisfactory performance of the business in recent years, the management committed to its plan to realize the investment in the business rather than devoting further resources to the business which is loss making. The set-off of the consideration against part of the loan provided by Kesterion will enable the Group to save future interests and improve the gearing level of the Group without cash outlay.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group has 61 full time employees (31 March 2015: 91) in Hong Kong, Singapore, Indonesia and the Mainland China. During the year ended 31 March 2016, the Group incurred staff costs (including Directors’ emoluments) of approximately HK\$26,509,000 (2015: approximately HK\$24,755,000).

Employees are remunerated with reference to market terms and according to their individual work performance, qualification and experience. Remuneration includes monthly basic salaries, retirement benefits under the Mandatory Provident Fund Scheme (the “Scheme”), medical schemes and performance-lined discretionary bonuses.

All qualifying employees of the Group in Hong Kong participate in the Scheme. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. Contributions by the Group were grossly matched by employee contributions.

The emoluments of the executive Directors are recommended by the remuneration committee, and approved by the Board as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors’ experience, responsibility, workload and time devoted to the Group; and the executive Directors may be granted options pursuant to the Share Option Scheme as defined in note 40 to the consolidated financial statements and/or any other such schemes of the Company as part of their remuneration packages.

BORROWING FACILITIES

As at 31 March 2016, the Group has obtained credit facilities from various banks, financial institutions and a former substantial shareholder up to a maximum amount of approximately HK\$12,647,000 (2015: approximately HK\$150,410,000) and approximately HK\$11,919,000 (2015: approximately HK\$24,959,000) of the credit facilities has been utilized.

PLEDGE OF ASSETS

At 31 March 2016, a warehouse property located in Singapore at carrying value of S\$7,000,000 (equivalent to approximately HK\$40,219,000) (31 March 2015: S\$7,600,000 (equivalent to approximately HK\$43,305,000)) and investment properties located in the PRC at carrying values of approximately RMB13,599,000 (equivalent to approximately HK\$16,290,000) (31 March 2015: approximately RMB14,759,000 (equivalent to approximately HK\$18,614,000)) were pledged to secure general banking facilities granted to the Group.

TREASURY POLICIES

The transactions of the Company and its subsidiaries are mainly denominated in United States Dollar and the majority of the Group's tangible assets are denominated in Hong Kong Dollar. The outstanding convertible bonds are denominated in United States Dollar and are redeemable or convertible using an agreed fixed rate of HK\$7.8 to US\$1.0. As a result, the convertible bonds have no exposure to exchange rate fluctuations. The Group has no other material exposure to exchange rate risk and has not made any arrangement to hedge against expenses, assets and liabilities for exchange rate fluctuation.

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by all effective means. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 March 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 March 2016.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain and ensure high standards of corporate governance practices to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**"). Except for the deviations as disclosed below, the Company has complied with the CG Code throughout the year ended 31 March 2016.

Pursuant to Rules 5.19 of the GEM Listing Rules, the Company must ensure that one of its executive directors assumes responsibility for acting as a compliance officer. Upon the resignation of Mr. Tan Chong Gin on 19 November 2015, the Company did not comply with the Rule 5.19 of the GEM Listing Rules. With the appointment of Ms. Yip Man Yi, as the compliance officer of the Company on 1 December 2015, the Company fulfills the requirement under Rule 5.19 of the GEM Listing Rules.

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The Chairman of the Company was unable to present at the annual general meeting held on 24 July 2015 as he was away on a business trip. In addition, under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year under review, several Directors were unable to present at the annual general meeting held on 24 July 2015 and the extraordinary general meetings held on 24 July 2015 and 24 September 2015 respectively due to their other important engagement at the relevant time, but they have appointed the other attended Directors as their representative at the meetings to answer questions of the shareholders of the Company. In the future, the Company will try its best to encourage and ensure the non-executive Directors and INEDs will attend the general meetings.

The role of chairman (the “Chairman”) and chief executive officer of the Company (the “CEO”) are segregated and are held by Mr. Michael Koh Tat Lee and Mr. Cheung Hung Man respectively to ensure their respective independence, accountability and responsibility. To ensure a balance of power and authority, the Company has a clear and defined division of the responsibilities between the Chairman and the CEO in accordance with the CG Code. The Chairman is responsible for the Group’s strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group’s operations and business development.

During the year ended 31 March 2016, Mr. Michael Koh Tat Lee stepped down from his role as the Chairman and Ms. Yip Man Yi has been appointed to replaced Mr. Koh as the Chairman on 31 December 2015. Subsequent to the year ended 31 March 2016, there has no CEO since the removal of Mr. Cheung Hung Man by the Board on 23 May 2016. The Board will keep reviewing the current structure of the Board from time to time and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the CEO as appropriate and will make further announcement in due course. There is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and the CG Code and align with the latest developments.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company issues notices to its Directors 4 times a year reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results.

During the period from 20 July 2015 to 11 August 2015, Kesterion Investments Limited (“Kesterion”), a company wholly-owned by Ms. Wong, Eva (“Ms. Wong”), the spouse of Mr. Michael Koh Tat Lee (“Mr. Koh”), being a Director and the chairman of the Company and resigned on 29 March 2016 and 31 December 2015 respectively, acquired and disposed of in aggregate 3,800,000 and 165,790,000 shares of the Company respectively.

The above transactions were entered into by Kesterion during the period between 15 July 2015 to 14 August 2015, being the blackout period of 30 days immediately preceding the publication date of the quarterly results of the Company for the three months ended 30 June 2015, during which dealings by a director or a director’s spouse or by or on behalf of any minor child are restricted. Further, no notification was given to the board of Directors (the “Board”) or the Company by Ms. Wong or Mr. Koh prior to the above share dealings were made. Accordingly, the above share dealings made by Kesterion constituted as non-compliance of Rules 5.56(a) (ii) and 5.61 of the GEM Listing Rules.

To rectify the above non-compliance, the Company has reminded and will continue to remind the directors of the Company to observe the dealing restrictions and notification requirements as set forth under Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company will also seek an additional training session for the Directors on the requirements under Rules 5.48 to 5.67 of the GEM Listing Rules.

Save aforesaid, the Company confirms that, having made specific enquiry of all other Directors, all other Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 March 2016.

The Company has adopted the same code of conduct for securities transactions by relevant employees to regulate certain employees of the Group who are deemed to be in possession of unpublished inside information of the Company when dealing in the securities of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises six members, of which all are INEDs, namely Mr. Chu Hung Lin, Victor, Mr. Tong Wan Sze, Mr. Fung Kwok Leung, Mr. Li Kwok Chu, Mr. Lau Shu Yan and Dr. Wan Ho Yuen, Terence. The chairman of the Audit Committee is Mr. Tong Wan Sze.

The role and functions of the Audit Committee are set out in the written terms of reference of the Audit Committee which includes to oversee the relationship with auditor, to review and supervise the financial reporting system and internal controls procedures of the Group and to review and approve the Company’s annual reports and accounts, interim report and quarterly reports to the Board. The terms of reference can be obtained from the website of the Company and the Stock Exchange.

During the year, the Audit Committee has reviewed the Group’s unaudited quarterly and interim results and annual audited results for the financial year ended 31 March 2016 and also reviewed the system of internal control of the Group in accordance with code provision C.2.1 of the CG Code. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made and is of the view that the system of internal control of the Group is sufficient to safeguard the interests of the Group.

By order of the Board

Union Asia Enterprise Holdings Limited

Yip Man Yi

Chairman

24 June 2016, Hong Kong

As at the date of this announcement, the Board comprises two executive directors, Ms. Yip Man Yi and Mr. Shiu Chi Tak, Titus, two non-executive directors, Mr. Liang Tongwei and Mr. Wong Chi Man, and six independent non-executive directors, Mr. Chu Hung Lin, Victor, Mr. Tong Wan Sze, Mr. Fung Kwok Leung, Dr. Wan Ho Yuen, Terence, Mr. Li Kwok Chu and Mr. Lau Shu Yan.

This announcement will remain on the page of “Latest Company Announcement” on the GEM website for at least 7 days from the date of its posting and on the website of the Company www.unionasiahk.com.