

Interim Report 2016/17



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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8173)

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

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THIS REPORT, FOR WHICH THE DIRECTORS OF UNION ASIA ENTERPRISE HOLDINGS 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 UNION ASIA ENTERPRISE HOLDINGS LIMITED. THE DIRECTORS, HAVING MADE ALL REASONABLE ENQUIRIES, CONFIRM THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF THE INFORMATION CONTAINED IN THIS REPORT 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 REPORT MISLEADING.

MANAGEMENT DISCUSSIONS AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS

Followings are the major acquisitions and disposals during the six months ended 30 September 2016 (the "Period").

Acquisition of subsidiaries

On 19 April 2016, a wholly owned subsidiary of the Company, Allied Power Global Limited, entered into a memorandum of understanding ("MOU") in relation to a proposed acquisition with a vendor in which the target company will be principally engaged in the operation and management of a solar power plant. However, the MOU was terminated on 19 July 2016 upon expiry of the exclusive period.

On 10 June 2016, a wholly owned subsidiary of the Company, Zhanhui Limited, entered into an agreement with another 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 issuance of the promissory note to the vendor. The Target is engaged in trading of stainless steel wires in Hong Kong and the People's Republic of China ("PRC").

On the other hand, on 25 August 2016, a wholly owned subsidiary of the Company, Diamond Year Limited, entered into an agreement with another vendor to acquire the entire issued share capital of the target company and the entire outstanding unsecured interest free shareholder's loan owed by the target company at the consideration of HK\$19,000,000 by issuance of a promissory note to the vendor. The target company owes a vessel that has been registered in Hong Kong.

For details of the above, please refer to the announcements of the Company dated 19 April 2016, 10 June 2016, 19 July 2016 and 25 August 2016.

Termination of disposals of two subsidiaries

On 17 June 2016, a wholly owned subsidiary of the Company, Black Sand Enterprises Limited ("BSE"), has entered into a sales and purchase agreements with an independent third party to sell all issued shares 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 (the "Disclosable 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.

On the same day, BSE has entered into another sales and purchase agreement with Ms. Eva Wong (“Ms Wong”), the spouse of Mr. Michael Koh Tat Lee who was an ex-executive director of the Company, to sell all issued shares 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 (the “Major 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 Investments Limited (“Kesterion”) before (in which Kesterion is a company incorporated in the British Virgin Islands and is wholly-owned by Ms. 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.

Nevertheless, on 1 September 2016, parties to the sale and purchase agreement in relation to the Disclosable Disposal mutually agreed not to proceed with the Disclosable Disposal and entered into a termination agreement to terminate such. Also, the Company intended to terminate the Major Disposal and thus kept continuing to negotiate with Ms Wong. For details, please refer to the announcements of the Company dated 17 June 2016, 7 August 2016 and 1 September 2016.

On the other hand, on 6 April 2016, an indirect wholly-owned subsidiary of the Company, Evotech (Asia) Pte. Limited (“Evotech”) and Jurong Town Corporation (“JTC”) had entered into the Surrender Agreement pursuant to which Evotech agreed to surrender a leasehold property to JTC at the consideration of S\$5,620,000 excluding goods and services tax in Singapore. Completion had taken place on 27 June 2016. The Surrender Agreement and the Transaction were only made known to the Company after trading hours on 2 September 2016 by the independent internal control advisor and have not been approved and authorized by the Company. For details, please refer to the announcements of the Company dated 4 September 2016.

BUSINESS AND FINANCIAL REVIEW

The Group's revenue for the Period amounted to approximately HK\$28,944,000 (2015: approximately HK\$8,792,000), increased by approximately HK\$20,152,000 as compared to the same period in 2015. The significant increase in revenue was mainly attributed to the prospected trading businesses commenced during the Period.

During the Period, the Group has incurred a gross gain of approximately HK\$6,056,000 while it was a gross loss of approximately HK\$11,299,000 for the same period last year, which was mainly attributable to stock provision of approximately HK\$10,727,000 for the bottled spring water inventory the validity of which are going to expire shortly. Other operating expenses, net amounted to approximately HK\$11,149,000 (2015: approximately HK\$5,411,000). Loss for the period amounted to approximately HK\$57,011,000 (2015: profit for the period of approximately HK\$157,235,000) of which approximately HK\$7,020,000 (2015: HK\$251,146,000) was attributable to the fair value gain on redemption of convertible bonds liabilities.

CAPITAL STRUCTURE AND LIQUIDITY

Completion of rights issue and early redemption of convertible bonds

On 18 May 2016, the Company completed a rights issue on the basis of eight rights shares for every one consolidated share held on 20 April 2016 at a subscription price of HK\$0.112 per rights share ("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 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.

As a result of the completion of Rights Issue and early redemption of convertible bonds with the outstanding principal amount of US\$30,000,000 on 18 May 2016, the conversion price of the convertible bonds with the outstanding principal amount of US\$50,000,000 (equivalent to approximately HK\$390 million), due for full redemption on 12 May 2020, has been adjusted from HK\$4.0 per Share to HK\$1.73 per Share and the number of outstanding converted Shares has been adjusted from 97,500,000 Shares to 225,433,526 Shares.

Net liabilities of the Group improved to approximately HK\$380,537,000 from approximately HK\$645,242,000 as at 31 March 2016. The improvement is attributable to early redemption of the partial convertible bonds made by the bond holder during the Period.

Proposed capital reorganization

On 4 July 2016, the Company proposed to implement the capital reorganization which involve:

- (i) the proposed share consolidation whereby every ten issued shares of the Company ("Share") of HK\$0.08 each will be consolidated into one consolidated share of HK\$0.80 each ("Consolidated Share");
- (ii) the proposed reduction of the issued share capital through a cancellation of the paid up capital to the extent of HK\$0.7999 on each of the Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.8 to HK\$0.0001 ("Capital Reduction");
- (iii) the credit arising from the Capital Reduction shall be 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. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate; and
- (iv) immediately following the Capital Reduction, the proposed share subdivision whereby each of the authorized but unissued Consolidated Shares of HK\$0.80 be sub-divided into eight thousand new Shares of HK\$0.0001 each ("Share Subdivision").

The aforesaid capital reorganization was approved by the Shareholders as special resolution at the extraordinary general meeting of the Company held on 11 August 2016. As at the date of this report, the capital reorganization have not become effective.

The Group had a current ratio of approximately 2.15 times as at 30 September 2016 (31 March 2016: approximately 0.21 times). Gearing ratio, calculated based on total non-current liabilities of approximately HK\$475,928,000 (31 March 2016: approximately HK\$467,546,000) against total deficit of approximately HK\$380,537,000 (31 March 2016: approximately HK\$645,242,000), increased from -72.46% to -125.07% as at 30 September 2016.

With reference to the announcement of the Company dated 11 November 2016, it was made known to the Company by its legal advisor on 9 September 2016 that the government of the People's Republic of China has imposed a fine on 20 May 2016 to Aquaterra China Trading (Shanghai) Company Limited, an indirectly wholly-owned subsidiary of the Company, in the amount of approximately RMB7,116,000 (equivalent to approximately HK\$8,415,000) regarding the tampered production and expiry dates by supplier of certain bottled mineral water in its inventory. Accordingly, the relevant inventory has been fully impaired amounting to approximately RMB3,131,000 (equivalent to approximately HK\$3,702,000). This financial impact has been reflected in this interim results for the six months ended 30 September 2016.

Apart from the above, as at 30 September 2016, the Group had no other material contingent liability (31 March 2016: Nil) and no material capital commitment (31 March 2016: Nil).

Completion of placing of new shares under general mandate

On 12 August 2016, completion of the placing took place. 569,199,627 placing shares (the "Placing Shares") have been placed by the placing agent at the placing price of HK\$0.08 to not less than six places. The Placing Shares represent 20% of the issued share capital of the Company of 2,845,998,135 Shares as at 28 July 2016 and approximately 16.67% of the issued share capital of the Company of 3,415,197,762 Shares as enlarged by the placing. The net proceeds from the placing, after deducting the placing commission and other relevant expenses, amounted to approximately HK\$44.0 million and will be used as general working capital of the Group.

BORROWING FACILITIES

As at 30 September 2016, the Group had obtained credit facilities from various banks, and financial institutions up to a maximum amount of approximately HK\$17,567,000 (31 March 2016: approximately HK\$12,647,000) and approximately HK\$12,567,000 (31 March 2016: approximately HK\$11,919,000) of the credit facilities has been utilized.

PLEDGE OF ASSETS

As at 31 March 2016, a warehouse property located in Singapore at carrying value of approximately S\$7,000,000 (equivalent to approximately HK\$40,219,000) were pledged to secure general banking facilities granted to the Group. The disposal of warehouse property was completed on 27 June 2016.

As at 30 September 2016, investment properties located in the PRC at carrying values of approximately RMB15,724,000 (equivalent to approximately HK\$18,279,000) (31 March 2016: approximately RMB15,724,000 (equivalent to approximately HK\$18,836,000)) 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 risks 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group had 28 full time employees in Hong Kong, Singapore and the Mainland China. 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. Group contributions 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 defined in the section beneath and/or any other such schemes of the Company as part of their remuneration packages.

OUTLOOK

In view of the unsatisfactory performance of the metal and beverage trading business, and to further broaden the source of income of the Group, the Group has commenced several businesses during the Period, namely trading of stainless steel wires, skincare and household products, nephrite, bottled water, securities and chartering out of pleasure vessel. So far the performance of the trading businesses are in line with the forecast of the management.

The management will continuously review the performance of the businesses. In the meantime the management has also been actively seeking new areas of growth.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of Directors (the "Board") of Union Asia Enterprise Holdings Limited (the "Company") is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 September 2016 together with the comparative figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Turnover	7	81,167	2,861	83,256	8,792
Revenue	7	26,855	2,861	28,944	8,792
Cost of sales		(20,891)	(11,694)	(22,888)	(20,091)
Gross profit/(loss)		5,964	(8,833)	6,056	(11,299)
Administrative expenses		(31,680)	(23,736)	(39,953)	(40,688)
Fair value gain on redemption of convertible bonds liabilities		—	—	7,020	251,146
Other operating income/ (expenses), net	8	5,112	(761)	(11,149)	(5,411)
(Loss)/Profit from operations		(20,604)	(33,330)	(38,026)	193,748
Finance costs	9	(7,187)	(13,735)	(18,985)	(38,979)
(Loss)/Profit before tax		(27,791)	(47,065)	(57,011)	154,769
Income tax credit	10	—	2,466	—	2,466
(Loss)/Profit for the period	11	(27,791)	(44,599)	(57,011)	157,235

		For the three months ended 30 September		For the six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other comprehensive (expense)/ income for the period, net of tax					
<i>Items that will not be reclassified to profit or loss:</i>					
		—	(6,987)	—	(6,987)
		—	—	4,244	—
<i>Items that may be reclassified to profit or loss:</i>					
		(1,206)	(2,250)	(313)	(1,955)
Total comprehensive (expense)/ income for the period		<u>(28,997)</u>	<u>(53,836)</u>	<u>(53,080)</u>	<u>148,293</u>
(Loss)/profit for the period attributable to:					
		(27,783)	(44,557)	(56,997)	157,209
		(8)	(42)	(14)	26
		<u>(27,791)</u>	<u>(44,599)</u>	<u>(57,011)</u>	<u>157,235</u>
Total comprehensive (expense)/ income for the period attributable to:					
		(28,989)	(53,794)	(53,066)	148,267
		(8)	(42)	(14)	26
		<u>(28,997)</u>	<u>(53,836)</u>	<u>(53,080)</u>	<u>148,293</u>
		For the three months ended 30 September		For the six months ended 30 September	
Note		2016 HK\$ (unaudited)	2015 HK\$ (unaudited) restated	2016 HK\$ (unaudited)	2015 HK\$ (unaudited) restated
(Loss)/earnings per share					
	Basic	<u>(0.88) cents</u>	<u>(1.39) cents</u>	<u>(2.31) cents</u>	<u>5.54 cents</u>
	Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	13	22,924	2,306
Investment properties		18,279	18,836
Goodwill	14	11,269	—
Available-for-sales financial assets		6,472	6,472
		<u>58,944</u>	<u>27,614</u>
Current assets			
Inventories		1,369	4,308
Trade and other receivables	15	16,662	6,849
Financial assets at fair value through profit or loss	16	40,543	—
Amounts due from associates		—	83
Derivative financial instruments	17	183	292
Restricted bank balance		—	28
Bank and cash balances		9,350	3,781
		<u>68,107</u>	<u>15,341</u>
Assets classified as held for sale	18	—	38,203
Total current assets		<u>68,107</u>	<u>53,544</u>
Total assets		<u>127,051</u>	<u>81,158</u>

	Notes	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Current liabilities			
Trade and other payables	19	18,021	13,480
Amounts due to directors	22(a)	—	963
Bank and other borrowings		13,566	114,750
Current tax liabilities		73	73
		<u>31,660</u>	<u>129,266</u>
Liabilities directly associated with assets classified as held for sale	18	—	129,588
		<u>31,660</u>	<u>258,854</u>
Net current assets/(liabilities)			
		<u>36,447</u>	<u>(205,310)</u>
Total assets less current liabilities			
		<u>95,391</u>	<u>(177,696)</u>
Capital and reserves			
Share capital	20	273,216	25,298
Reserves		(643,299)	(660,100)
Equity attributable to owners of the Company		(370,083)	(634,802)
Non-controlling interests		(10,454)	(10,440)
TOTAL EQUITY			
		<u>(380,537)</u>	<u>(645,242)</u>
Non-current liabilities			
Bank and other borrowings		89,742	19,794
Promissory notes		27,975	—
Convertible bonds	21	355,981	445,499
Deferred tax liabilities		2,230	2,253
		<u>475,928</u>	<u>467,546</u>
		<u>95,391</u>	<u>(177,696)</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	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 (expenses)/ income for the period	—	—	(1,955)	—	—	(6,987)	—	157,209	148,267	26	148,293
Conversion of convertible bonds into shares	468,000	(26,945)	—	—	(170,432)	—	—	—	270,623	—	270,623
Redemption of Old Bonds and issuance of New Bonds (note 20)	—	—	—	—	(865,930)	—	—	865,930	—	—	—
Changes in equity for the period	468,000	(26,945)	(1,955)	—	(1,036,362)	(6,987)	—	1,023,139	418,890	26	418,916
At 30 September 2015 (unaudited)	<u>1,264,888</u>	<u>3,620,942</u>	<u>(5,655)</u>	<u>8,251</u>	<u>227,243</u>	<u>1,174</u>	<u>—</u>	<u>(5,371,067)</u>	<u>(254,224)</u>	<u>48,117</u>	<u>(206,107)</u>
At 1 April 2016 (audited)	25,298	3,620,942	(3,993)	8,251	227,243	507	1,446	(4,514,496)	(634,802)	(10,440)	(645,242)
Total comprehensive (expenses)/ income for the period	—	—	(313)	—	—	4,244	—	(56,997)	(53,066)	(14)	(53,080)
Placing of Shares	45,536	—	—	—	—	—	—	—	45,536	—	45,536
Rights issue	202,382	69,867	—	—	—	—	—	—	272,249	—	272,249
Early redemption of convertible bonds	—	—	—	—	(86,077)	—	—	86,077	—	—	—
Changes in equity for the period	247,918	69,867	(313)	—	(86,077)	4,244	—	29,080	264,719	(14)	264,705
At 30 September 2016 (unaudited)	<u>273,216</u>	<u>3,690,809</u>	<u>(4,306)</u>	<u>8,251</u>	<u>141,166</u>	<u>4,751</u>	<u>1,446</u>	<u>(4,485,416)</u>	<u>(370,083)</u>	<u>(10,454)</u>	<u>(380,537)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(46,226)	(31,109)
Net cash used in investing activities	(26,410)	(4,016)
Net cash generated from financing activities	83,981	25,887
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,345	(9,238)
Effect of changes in foreign exchange rates	244	1,698
Cash and cash equivalents at beginning of period	(2,239)	9,817
	<hr/>	<hr/>
Cash and cash equivalents at end of period	9,350	2,277
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. It's principal business is investment holding.

The Group is principally engaged in trading of stainless steel wires, cosmetic and skincare products, nephrite and bottled water.

2. GOING CONCERN BASIS

The Group had a total deficit of approximately HK\$57,011,000 as at 30 September 2016, which indicated that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

These condensed financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of measures such as debt financing and cost cutting measures, at a level sufficient to finance the working capital requirements of the Group. The directors are therefore of the opinion that it is appropriate to prepare the financial 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 financial statements to adjust 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.

3. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited condensed financial statements, which do not include all information and disclosures as required in the annual financial statements, should be read in conjunction with the annual report for the year ended 31 March 2016.

The accounting policies and method of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2016.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company.

HKFRS 14	Regulatory deferral accounts
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 — 2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

5. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.



a. Disclosures of level in fair value hierarchy at the end of the reporting period:

Description	Fair value measurements as at 30 September 2016 using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Recurring fair value measurements:				
Derivative financial instruments				
Derivative component of convertible bonds	—	—	183	183
Available-for-sale financial assets				
Unlisted equity securities	—	—	6,472	6,472
Investment properties in the PRC	—	—	18,279	18,279
Financial assets at fair value through profit or loss	40,543	—	—	40,543
	<u>40,543</u>	<u>—</u>	<u>—</u>	<u>40,543</u>
	<u>40,543</u>	<u>—</u>	<u>24,934</u>	<u>65,477</u>

Description	Fair value measurements as at 31 March 2016 using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)
Recurring fair value measurements:				
Derivative financial instruments				
Derivative component of convertible bonds	—	—	292	292
Available-for-sales financial assets				
Unlisted equity securities	—	—	6,472	6,472
Investment properties in PRC	—	—	18,836	18,836
	<u>—</u>	<u>—</u>	<u>25,600</u>	<u>25,600</u>

Non-recurring fair value measurement:

Assets classified as held for sales				
Leaseheld building in Singapore	—	—	35,048	35,048
	<u>—</u>	<u>—</u>	<u>35,048</u>	<u>35,048</u>

b. Reconciliation of assets measured at fair value based on level 3:

	Derivative financial instrmnts	Embedded derivatives financial instruments	Unlisted equity security	Investment properties	Leasehold building	Financial assets at fair value through profit or loss	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (audited)	292	—	6,472	18,836	—	—	25,600
Redemption	(109)	—	—	—	—	—	(109)
Addition	—	—	—	—	—	40,543	40,543
Exchange differences recognised in other comprehensive income	—	—	—	(557)	—	—	(557)
At 30 September 2016 (unaudited)	<u>183</u>	<u>—</u>	<u>6,472</u>	<u>18,279</u>	<u>—</u>	<u>40,543</u>	<u>65,477</u>
At 1 April 2015 (audited)	—	—	—	18,614	43,305	—	61,919
Total fair value gains or losses recognised in profit or loss	(54,855)	(7,473)	—	1,173	—	—	(61,155)
in other comprehensive income	—	—	1,445	—	(7,654)	—	(6,209)
Depreciation charged to profit or loss	—	—	—	—	(746)	—	(746)
Additions	55,147	7,473	5,027	—	—	—	67,647
Transfer to assets classified as held for sale	—	—	—	—	(35,048)	—	(35,048)
Exchange differences recognised in other comprehensive income	—	—	—	(951)	143	—	(808)
At 31 March 2016 (audited)	<u>292</u>	<u>—</u>	<u>6,472</u>	<u>18,836</u>	<u>—</u>	<u>—</u>	<u>25,600</u>

c. Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period:

The management of the Company is responsible for the fair value measurement of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Review of valuation process and results are held at least twice a year.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 September 2016 HK\$'000 (unaudited)	Fair value as at 31 March 2016 HK\$'000 (audited)
Derivative financial instruments	Market comparable approach	Market volatility of comparable stock	35.4% - 76.2% (31 March 2016: 34.6% - 59.5%)	Increase	183	292
Unlisted equity securities	Market comparable approach	Fading price of comparable business	0.54x - 2.43x (31 March 2016: 0.54x - 2.43x)	Increase	6,472	6,472
Investment properties in the PRC	Market comparable approach	Price per square metre	RMB14,271 to RMB14,915 (31 March 2016: RMB14,271 to RMB14,915)	Increase	18,279	18,836

There is no change in the valuation techniques used for the investment properties.

6. SEGMENT INFORMATION

The Group has nine reportable segments as follows:

Skincare and household products	—	Trading of skincare and household products
Securities	—	Trading of listed securities
Mineral Resources	—	Exploration and exploitation of magnetic sand (The commercial operations have not yet been commenced during the Period)
Metals	—	Trading of stainless steel wires and scrap metals
Beverages	—	Trading of bottled mineral water and tea products
Coals	—	Trading of coals
Bunker Fuels	—	Trading of vessel fuels
Nephrite	—	Trading of nephrite
Vessel's charter	—	Charter income from vessels

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.



The following is an analysis of the Group's revenue, results and assets by operating segments for the periods under review:

(a) Segment revenue, results and assets

Information regarding the Group's reportable segments as provided to the Group's chief operating decision — makers is set out below:

	Skincare Products	Securities Trading	Nephrite	Vessel's charter	Metals	Beverages	Total
Six months ended 30 September 2016	HK\$'000 (unaudited)						
Revenue from external customers	12,544	5,034	5,336	280	5,099	651	28,944
Segment profit/(loss) before tax	431	9,639	(43)	(56)	(8,744)	(19,220)	(17,993)
As at 30 September 2016	HK\$'000 (unaudited)						
Segment assets	3,266	45,801	6,234	19,807	21,855	23,309	120,272

	Mineral Resources	Metals	Beverages	Coals	Bunker Fuels	Total
Six months ended 30 September 2015	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from external customers	—	7,735	1,057	—	—	8,792
Segment loss before tax	(37,687)	(2,437)	(17,780)	(8,915)	(1,506)	(68,325)
As at 30 September 2015	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Segment assets	214,989	48,373	48,674	106,010	262	418,308

(b) Reconciliation of reportable segment profit or loss

	For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Reportable segment loss	(17,993)	(68,325)
Fair value gain on redemption of convertible bonds liabilities	7,020	251,146
Unallocated depreciation	(487)	(3,006)
Unallocated other operating income, net	845	2,721
Unallocated corporate expenses	(46,396)	(25,301)
	<u>(57,011)</u>	<u>157,235</u>
Consolidated (loss)/profit for the period	(57,011)	157,235

7. REVENUE

Revenue represents the net amounts received and receivable for sales of goods to customers, net of good returns and trade discounts. Revenue recognized during the period is as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Sale of skincare and household products	11,292	—	12,544	—
Sale of nephrite	4,769	—	5,336	—
Sale of beverages	547	656	651	1,057
Sale of metals	4,933	2,205	5,099	7,735
Charter income from vessel	280	—	280	—
Interest income from financial assets at fair value through profit or loss	5,034	—	5,034	—
Revenue	<u>26,855</u>	<u>2,861</u>	<u>28,944</u>	<u>8,792</u>
Proceeds from sale of listed securities	<u>54,312</u>	<u>—</u>	<u>54,312</u>	<u>—</u>
Turnover	<u>81,167</u>	<u>2,861</u>	<u>83,256</u>	<u>8,792</u>

8. OTHER OPERATING INCOME/(EXPENSES), NET

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Fair value gain on financial assets at fair value through profit or loss	3,973	—	4,619	37
Bargain purchase of a subsidiary	1,000	—	1,000	—
Loss on disposal of leasehold property under assets classified as held for sale	—	—	(8,583)	—
Loss on expired inventories	—	—	(3,702)	—
Provision of penalty for sales of expired inventories	—	—	(8,415)	—
Net interest payable on trade balances	—	(3,266)	—	(8,133)
Gain on disposal of property, plant and equipment	—	—	—	7
Sundry income	139	2,505	3,932	2,678
	<u>5,112</u>	<u>(761)</u>	<u>(11,149)</u>	<u>(5,411)</u>

9. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Finance lease charges	—	8	—	17
Interest on convertible bonds	6,724	12,791	18,213	37,559
Interest on promissory notes	317	—	317	—
Interest on bank loans and overdrafts	146	936	455	1,403
	<u>7,187</u>	<u>13,735</u>	<u>18,985</u>	<u>38,979</u>

10. INCOME TAX CREDIT

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax				
Over-provision in prior years	—	2,466	—	2,466
Deferred tax	—	—	—	—
	<u>—</u>	<u>2,466</u>	<u>—</u>	<u>2,466</u>

No provision for Hong Kong Profits Tax has been made as the Group has not generated any assessable profits that are subject to Hong Kong profits tax during the period (2015: Nil).

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.

11. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/Profit for the period is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Depreciation	1,270	1,590	2,624	3,239
Directors' remuneration	274	1,307	548	2,613
Operating lease charges in respect of land and building	1,412	1,294	2,824	2,457
	<u>1,412</u>	<u>1,294</u>	<u>2,824</u>	<u>2,457</u>

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the three months period ended 30 September 2016 of approximately HK\$27,783,000 (2015: approximately HK\$44,557,000) and the loss attributable to owners of the Company for the six months period ended 30 September 2016 of approximately HK\$56,997,000 (2015: profit for the period of approximately HK\$157,209,000), and the weighted average number of ordinary shares of 3,152,490,242 shares (2015: 3,216,043,414 shares as adjusted to reflect the effect of the share consolidation, rights issue and placing of shares completed during the Period) and 2,467,914,108 shares (2015: 2,838,637,107 shares as adjusted to reflect the effect of the share consolidation, rights issue and placing of shares completed during the Period) in issue during the two respective periods.

Diluted (loss)/earnings per share

As the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there were no dilutive potential ordinary shares of the Company's outstanding share options for both periods, no diluted loss per share was presented in both periods.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired property, plant and equipment through acquisition of a subsidiary of approximately HK\$20,000,000.

14. GOODWILL

	2016 HK\$'000	2015 HK\$'000
Cost and carrying amounts		
At 1 April (audited)	—	—
Arising on acquisition of a subsidiary	11,269	—
	<u>11,269</u>	<u>—</u>
At 30 September (unaudited)	<u>11,269</u>	<u>—</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trading of stainless steel wires: – Fu Hang Metal (Asia) Limited	11,269	—
	<u>11,269</u>	<u>—</u>

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trade receivables	10,350	3
Rental and other deposits	3,218	3,641
Prepayments and other receivables	3,094	3,205
	<u>16,662</u>	<u>6,849</u>

The ageing analysis of trade receivables, based on the invoice date, and net of allowances, is as follow:

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
0 to 90 days	10,347	3
91 to 180 days	—	—
Over 180 days	3	—
	<u>10,350</u>	<u>3</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Equity securities listed in Hong Kong, at fair value	40,543	—

The equity investments listed on the Stock Exchange are held-for-trading that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of listed equity investments are based on current bid prices.

During the Period, the net realised gain on disposal of listed securities of approximately HK\$5,034,000 (2015: approximately HK\$37,000) was recognised in the condensed consolidated financial statements.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Early redemption option	183	292

The early redemption option is the fair value of the derivative component of the convertible bonds issued by the Company. It entitles the Company the right, at its options, to redeem any portion of or the entire amount of the outstanding principal amount of the convertible bonds issued by the Company at a predetermined redemption price. Details of the convertible bonds are set out in note 20 to the condensed interim financial information.

18. ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
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 (Note b)	—	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 assets classified as held for sale and carried at fair value less costs to sell.

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

For the year ended 31 March 2016, 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. Thus, 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.

Nevertheless, on 6 April 2016, the leasehold building has been surrendered and completion had taken place on 27 June 2016. This was only made known to the Company after trading hours on 2 September 2016. Also, on 1 September 2016, parties to the sale and purchase agreement in relation to the Disclosable Disposal mutually agreed not to proceed with the Disclosable Disposal and entered into a termination agreement to terminate such. And, the Company intended to terminate the Major Disposal and thus kept continuing to negotiate with Ms Wong. No Disposal Businesses as at the Period end. For details, please refer to the section "Material acquisitions and disposals" above.

Note b:

The major classes of assets and liabilities of the Disposal Businesses are as follows:

	As at 31 March 2016 HK\$'000
Property, plant and equipment	36,100
Intangible assets	313
Trade and other receivables	381
Cash and bank balances	<u>1,409</u>
Assets of Disposal Businesses classified as held for sale	<u>38,203</u>
Trade and other payables	120,887
Finance lease payable	580
Bank and other borrowings	<u>8,121</u>
Liabilities of Disposal Businesses associated with assets classified as held for sale	<u>129,588</u>
Net liabilities of the Disposal Businesses classified as held for sale	<u><u>48,192</u></u>

19. TRADE AND OTHER PAYABLES

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trade and bills payables	4,207	627
Accruals	7,128	7,889
Other payables	6,686	4,964
	<u>18,021</u>	<u>13,480</u>

The ageing analysis of trade and bills payable, based on the date of receipt of goods, is as follow:

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
0 to 90 days	3,580	—
91 to 180 days	—	—
Over 180 days	627	627
	<u>4,207</u>	<u>627</u>

20. SHARE CAPITAL

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Authorised:		
31,250,000,000 ordinary shares of HK\$0.08 each (At 31 March 2016: 250,000,000,000 ordinary shares of HK\$0.01 each)	<u>2,500,000</u>	<u>2,500,000</u>
Issued and fully paid:		
3,415,197,762 ordinary shares of HK\$0.08 each (At 31 March 2016: 2,529,776,120 ordinary shares of HK\$0.01 each)	<u>273,216</u>	<u>25,298</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued	Nominal value of shares issued HK\$'000
At 31 March 2015 (audited)	1,593,776,120	796,888
Conversion from Old Bonds	(a) 936,000,000	468,000
Capital reduction	(b) —	(1,239,590)
	<u>2,529,776,120</u>	<u>25,298</u>
At 31 March 2016 and 1 April 2016 (audited)	2,529,776,120	25,298
Share consolidation	(c) (2,213,554,105)	—
Rights issue	(d) 2,529,776,120	202,382
Placing of shares	(e) 569,199,627	45,536
	<u>3,415,197,762</u>	<u>273,216</u>
At 30 September 2016 (unaudited)	<u>3,415,197,762</u>	<u>273,216</u>

Notes:

- a) 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 approximately HK\$468,000,000) in aggregate of convertible bonds issued on 12 May 2015.
- b) 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.

- c) Consolidation of every eight issued and unissued shares into one consolidated share on 11 April 2016 pursuant to the ordinary resolution passed in the extraordinary general meeting held on 8 April 2016.
- d) Allotment and issue of new shares on 18 May 2016 by way of rights issue on the basis of eight rights shares for every one consolidated share pursuant to the ordinary resolution passed in the extraordinary general meeting held on 8 April 2016.
- e) On 12 August 2016, the Company issued 569,199,627 new ordinary shares at subscription price of HK\$0.08 per share for a total cash consideration of HK\$45,535,970.

21. CONVERTIBLE BONDS

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Non-current liabilities		
Liability component of convertible bonds		
2% coupon issued on 12 May 2015 (Note)	355,981	445,499
	<u>355,981</u>	<u>445,499</u>
Current assets		
Derivative component of:		
Convertible bonds issued on 12 May 2015	(183)	—
	<u>(183)</u>	<u>—</u>

Note:

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 unsecured zero coupon convertible bonds with an aggregate principal amount of USD655,128,205 (equivalent to approximately HK\$5,110,000,000) issued on 18 December 2008 (the "Old Bonds") will be amended to grant the Company a right to redeem all the outstanding Old Bonds at a redemption price of US\$140,000,000 (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 Bonds following such redemption, the Company will issue to Kesterion all unsecured five-year 2.0% convertible bonds in principal amount of US\$140,000,000 (the "New Bonds"). The coupon is payable in arrear semi-annually from the issue date.

The holder of the New Bonds has the right to convert the New Bonds 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 Bonds 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 Bonds and issued the New Bonds in accordance with the terms of the Bond Restructuring Agreement.

On 18 May 2016, completion of Rights Issue and early redemption of convertible bonds with the outstanding principal amount of US\$30,000,000 have been taken place. The conversion price of the convertible bonds with the outstanding principal amount of US\$50,000,000 (equivalent to approximately HK\$390 million) has been adjusted to HK\$1.73 per Share. For details, please refer to the section "Capital structure and liquidity" above.

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 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 Bonds and issuance of New Bonds	<u><u>(1,117,076)</u></u>

The movements of each component and principal amount of the convertible bonds for the Period are as follows:

	Liability component HK\$'000	Derivative component HK\$'000	Equity component HK\$'000
At 31 March 2016 (audited)	445,499	(292)	227,243
Redemption	(107,731)	109	(86,077)
Imputed interest charged for the Period	<u>18,213</u>	<u>—</u>	<u>—</u>
At 30 September 2016 (unaudited)	<u><u>355,981</u></u>	<u><u>(183)</u></u>	<u><u>141,166</u></u>

The fair value of derivative components of the New Bonds at the end of 31 March 2016 and 30 September 2016 are estimated using the Black-Scholes model with Trinomial Tree Method (level 3 fair value measurement). The key assumptions used are as follows:

	At 30 September 2016	As 31 March 2016
The Company's share price	HK\$0.044	HK\$0.056
Conversion price	HK\$1.73	HK\$0.5
Risk-free rate	1.1021%	1.08535%
Volatility	54.1363%	73.7866%
Expected dividend yield	Nil	Nil
Expected life	3.62 years	4.12 years

During the Period, the New Bonds in principal amount of US\$30,000,000 (equivalent to approximately HK\$229,300,000) were redeemed.

The interest charged for the Period is calculated by applying an effective interest rate of 17.82% (2015: 11.38%) per annum to the liability component.

22. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the Period and balances with related parties as at 30 September 2016:

(a) Amounts due to directors

The amounts due to directors are unsecured, interest-free and repayable on demand.

(b) Key management personnel remuneration

Remuneration paid/payable to key management personnel of the Group, including the emoluments of the Company's directors and the highest paid individuals, is as follows:

	For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries, bonus and allowances	548	3,622
Retirement benefits scheme contributions	11	57
	<u>559</u>	<u>3,679</u>

23. LEASE COMMITMENTS

At 30 September 2016 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Within one year	2,430	3,800
In the second to fifth years inclusive	—	530
	<u>2,430</u>	<u>4,330</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and living quarters for employees. Leases are negotiated for terms ranging from one to five years.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 11 November 2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the Period (2015: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of the Company

Name of directors/ chief executive	Number of Shares	Approximate percentage of shareholding	Capacity
Liang Tong Wei	12,500,000 (L)	0.37	Beneficial owner

(L) — Long position

Save as disclosed above, as at 30 September 2016, there are no long and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 September 2016, so far as the Directors are aware, the following person (other than Directors and chief executives of the Company) had an interest and/or a short position in the shares or underlying shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

Long and short positions in shares

Name of shareholder	Number of Shares of the Company	Approximate percentage of shareholding	Capacity
Yeung Wing Yee	846,760,000	24.79	beneficial owner

Save as disclosed above, as at 30 September 2016, the Company has not been notified by any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 to the SFO.

SHARE OPTION SCHEME

OLD SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the shareholders of the Company on 25 April 2002 (the "Old Share Option Scheme"), the Old Share Option Scheme became effective on 25 April 2002 and terminated on 24 April 2012. However, all share options granted prior to the termination of the Old Share Option Scheme will remain in full force and effect.

On 11 April 2016, the number of share options outstanding under the Old Share Option Scheme were adjusted from 262,800 shares to 32,850 shares and the exercise price were adjusted from HK\$3.58 to HK\$28.64 as a result of the completion of share consolidation. The number of share options outstanding were further adjusted from 32,850 shares to 75,934 shares and the exercise price were adjusted from HK\$28.64 to HK\$12.39 as a result of the completion of Rights Issue on 18 May 2016.

As at 30 September 2016, the number of share options outstanding under the Old Option Scheme was 75,934 shares.

NEW SHARE OPTION SCHEME

On 30 July 2012, the Company adopted a new share option scheme (the “New Share Option Scheme”). The New Share Option Scheme was for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and will expire on 29 July 2022. Under the New Share Option Scheme, the Board may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive Directors, and consultants or advisers of the Company and/or any of its subsidiaries.

The total number of shares in respect of which options may be granted under the New Share Option Scheme, and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company without prior approval from the Company’s shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

Options granted must be taken up within thirty days of the date of grant, upon payment of HK\$1 per grant.

Options may be exercised at any time during a period to be notified by the Board upon the grant of options provided that the option period shall not exceed 10 years from the date of grant of the options. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board, is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

Under the New Share Option Scheme, if the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee is ceased as employee of the Group for reason specified in the New Share Option Scheme.

Details of the options granted, lapsed or exercised under the Old Share Option Scheme and the New Share Option Scheme are as follows:

Category of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Number of share options					Outstanding as at 30 September 2016
				Outstanding as at 1 April 2016	Adjusted during the period	Granted during the period	Exercised during the period	Lapsed during the period	
<i>Old Share Option Scheme:</i>									
Consultants	6 Mar 2007	6 Mar 2007 to 5 Mar 2017	3.58	262,800	(186,866)	—	—	—	75,934 (Note 1)
Total				<u>262,800</u>	<u>(186,866)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75,934</u>
Weighted average exercise price				<u>HK\$3.58</u>	<u>—</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>HK\$7.60</u>

Note 1: The number of shares issuable under the Old Share Option Scheme and the exercise price were adjusted due to share consolidation completed in April 2016 and rights issue completed in May 2016.

The weighted average share price at the date of exercise for share options exercised during the Period was HK\$7.6. The options outstanding at the end of the Period have a weighted average remaining contractual life of 0.43 year (2015: 1.43 years) and the exercise price is HK\$7.60 (2015: HK\$3.58).

COMPETING INTERESTS

None of the Directors, management shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or had any other conflicts with the Group during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures" above, at no time during the Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company has adopted and complied with the code provisions set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules except for the deviation described below.

Under code provision A.2.1 of the CG code, the role of Chairman and chief executive officer (the "CEO") should not be performed by the same individual. Subsequent to the removal of Mr. Cheung Hung Man by the Board on 23 May 2016, the post has been vacant. The Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment to fill the post of the CEO as appropriate.

Under code provision A.6.7 of the CG code, independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. Several Directors were unable to present at the annual general meeting held on 26 July 2016 and the extraordinary general meetings held on 8 April 2016 and 11 August 2016 due to their other important engagement at the relevant time.

Under code provision E.1.2 of the CG code, the chairman of the board should attend general meeting and she 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 26 July 2016 and the extraordinary general meetings held on 8 April 2016 and 11 August 2016 as she had other important engagement at the relevant time.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors as 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 periodically 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. The Company has confirmed that, having made specific enquiry from all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the Period.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

On 29 August 2016, the amendment to article 98 of the articles of association of the Company has been approved by the shareholders of the Company by way of a special resolution at the extraordinary general meeting of the Company.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the date of the Annual Report 2016 are set out below:

Mr. Chu Hung Lin, Victor ("Mr. Chu") has retired from the Board with effect from the conclusion of the annual general meeting held on 26 July 2016. Following his retirement, Mr. Chu ceased to be an independent non-executive director of the Company, the chairman of remuneration committee and a member of audit committee (the "Audit Committee") and nomination committee of the Board.

Mr. Li Kwok Chu has been appointed as the chairman of the remuneration committee in place of Mr. Chu with effect from the conclusion of the annual general meeting held on 26 July 2016.

Mr. Tong Wan Sze ("Mr. Tong") has resigned as an independent non-executive director of the Company and the chairman of Audit committee of the Board with effect from 27 July 2016.

Mr. Fung Kwok Leung has resigned as an independent non-executive director of the Company and a member of each of the Audit Committee, remuneration committee and nomination committee of the Board with effect from 27 July 2016.

Dr. Wan Ho Yuen, Terence has been appointed as the chairman of the Audit Committee in place of Mr. Tong with effect from 27 July 2016.

Mr. Lau Shu Yan, independent non-executive Director, has been appointed as independent non-executive director and the chairman of the nomination committee of Shenzhen Mingwah Aohan High Technology Corporation Limited (Stock Code: 8301), the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, with effect from 30 September 2016.

AUDIT COMMITTEE

The Audit Committee of the Board currently comprises three members of independent non-executive Directors, namely Dr. Wan Ho Yuen, Terence, Mr. Li Kowk Chu and Mr. Lau Shu Yan. The chairman of the Audit Committee is Dr. Wan Ho Yuen, Terence. The written terms of reference of the Audit Committee sets out the duties of the Audit Committee which includes reviewing and supervising financial reporting system, risk management and internal control system of the Group and to review and approve the Company's annual reports and accounts, interim report and quarterly reports to the Board. The Audit Committee has reviewed this interim report in accordance with the GEM Listing Rules.

By Order of the Board
Union Asia Enterprise Holdings Limited
Yip Man Yi
Chairman

Hong Kong, 11 November 2016

As at the date of this report, 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 three independent non-executive Directors, Dr. Wan Ho Yuen, Terence, Mr. Li Kwok Chu and Mr. Lau Shu Yan.