



**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)

THIRD QUARTERLY REPORT
2018/19

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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THIS REPORT, FOR WHICH THE DIRECTORS OF (THE “DIRECTORS”) OF UNION ASIA ENTERPRISE HOLDINGS LIMITED (THE “COMPANY”) COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY, INCLUDES PARTICULARS GIVEN IN COMPLIANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE (THE “GEM LISTING RULES”) FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO THE COMPANY. THE DIRECTORS, HAVING MADE ALL REASONABLE 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

Following is the major disposal during the nine months ended 31 December 2018 (the “Period”), while there is no major acquisition during the Period and no major acquisition or disposal during the nine months ended 31 December 2017.

Disposal of subsidiaries

On 6 December 2018, a direct wholly-owned subsidiary of the Company, Talent Zone Global Limited, entered into a disposal agreement with an independent third party in relation to the disposal of the entire issued share capital of Brighton Asia Pacific Investment Holdings Limited, an indirectly wholly-owned subsidiary of the Company, and its subsidiaries (together with its subsidiaries as the “Disposal Group”), in which the Disposal Group was originally engaged in trading of bottled water in the People’s Republic of China (the “PRC”) but this has been ceased in September 2018, and the principal assets of the Disposal Group were four blocks of a villa located in the PRC as investment properties. The total consideration was HK\$200,000.

For details, please refer to the announcements of the Company dated 6 December 2018.

BUSINESS AND FINANCIAL REVIEW

The Group’s revenue for the Period amounted to approximately HK\$26,532,000 (2017: approximately HK\$30,519,000), decreased by approximately HK\$3,987,000 as compared to the same period in 2017. The decrease in revenue was mainly attributable to the US-China Trade War incurred during the Period.

During the Period, the Group has incurred a gross gain of approximately HK\$845,000 while it was a gross gain of approximately HK\$879,000 for the same period last year. Other income, net amounted to approximately HK\$24,867,000 (2017: loss of approximately HK\$1,329,000). Loss for the Period amounted to approximately HK\$49,262,000 (2017: approximately HK\$59,202,000) of which approximately HK\$32,451,000 was attributable to the gain on disposal of subsidiaries during the Period.

CAPITAL STRUCTURE AND LIQUIDITY

Proposed capital reorganization

The Company has terminated the capital reorganization originally proposed on 4 July 2016 and has proposed to implement, subject to the approval by the shareholders, the new capital reorganization (the "New Capital Reorganization") on 9 November 2017 as follows:

- (i) Share Premium Cancellation: the entire amount standing to the credit of the share premium account of the Company will be cancelled to set off against part of total accumulated loss of the Company;
- (ii) Share Consolidation: every fifty issued shares of HK\$0.08 each ("Share") will be consolidated into one consolidated share of HK\$4.0 each ("Consolidated Share") in the issued share capital of the Company;
- (iii) Capital Reduction: upon Share Consolidation taking effect, the nominal value of the issued Consolidated Shares will be reduced from HK\$4.0 to HK\$0.0001 each (i.e. New Share) by cancelling the paid-up capital to the extent of HK\$3.9999 each, and the total credit arising therefrom will be applied to further set off the accumulated loss of the Company;
- (iv) Unissued Share Capital Cancellation: upon the Capital Reduction taking effect, all the authorised but unissued share capital of the Company will be cancelled in their entirety; and
- (v) Authorised Share Capital Increase: upon the Unissued Share Capital Cancellation taking effect, the authorised share capital of the Company will be increased to HK\$10,000,000 divided into 100,000,000,000 New Shares.

The New Capital Reorganization, being part of the resumption proposal ("Resumption Proposal") in relation to the proposed restructuring submitted by the Company to the Stock Exchange on 15 September 2017, will be subject to the passing of a special resolution by the shareholders by way of poll at the extraordinary general meeting, and the approval from the Grand Court of the Cayman Islands and the Listing Committee of the GEM Board. For details, please refer to the announcement of the Company dated 9 November 2017 and 14 November 2017.

Proposed open offer

On 9 November 2017, the Company proposed an open offer ("Open Offer") on the basis of nineteen offer shares ("Offer Shares") for every one New Share/Consolidated Share held by the qualifying shareholders on the Open Offer Record Date ("Qualifying Shareholders"). On 28 June 2018, the Company entered into an underwriting agreement with the underwriter (the "Underwriter") in relation to such. A total of 1,297,775,150 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders and/or the Underwriter at the offer price of HK\$0.19 for each Offer Share.

Completion of the Open Offer, being part of the Resumption Proposal, is conditional upon the New Capital Reorganization becoming effective and the completion of an acquisition ("Acquisition") of a target company ("Target") which is principally engaged in provision of interior design services for commercial and residential properties, as well as galleries and show flats for local property developers in Hong Kong. For details, please refer to the announcement of the Company dated 9 November 2017 and 28 June 2018.

LITIGATION

- (1) On 4 September 2016 the Company announced, amongst other things, that (i) Evotech (Asia) Pte. Limited ("Evotech"), an indirect wholly-owned subsidiary of the Company had entered into a Surrender Agreement with Jurong Town Corporation ("JTC") on 6 April 2016 pursuant to which Evotech agreed to surrender its leasehold interest in the real property located at 42 Gul Circle, Singapore 629577 to JTC at the consideration of S\$5,620,000 and such transaction was completed on 27 June 2016 without the approval and authorization of the Board (the "Unauthorized Transaction"), and (ii) the Company was investigating into the circumstances leading to the entering into the Unauthorized Transaction and the payments made by Evotech from the proceeds of the Unauthorized Transaction.

Upon completion of the said investigation and with the benefit of legal advice, Evotech has on 23 November 2016 commenced legal proceedings at the High Court of The Republic of Singapore (Case no. HC/S 1242/2016) against Mr. Koh Tat Lee ("Mr. Koh") for breaches of his duties as director and employee of Evotech and against Ms. Lily Bey Lay Lay ("Lily Bey"), another ex-director of Evotech, for breaches of her duties as director of Evotech and, for recovery of damages in the sums of S\$2,285,000 and US\$1,070,000 (the "Singapore Legal Action").

In the Singapore Legal Action, Mr. Koh and Lily Bey filed their Defence and Counterclaim to contest Singapore Legal Action and also commenced third-party proceedings ("Third-Party Proceedings") against the Company and Ms. Yip Man Yi, the Chairman of the Company (the "Singapore Third Parties").

In the Third-party Proceedings, Mr. Koh and Lily Bey sought indemnities and/or contributions against the Singapore Third Parties for authorizing and approving all the monetary transactions claimed by Evotech in the Singapore Legal Action to set off of the sums as may be applicable between all parties in the legal action, if any.

On 17 January 2017, the High Court of The Republic of Singapore granted leave for service of the Singapore Third Party Proceedings on the Singapore Third Parties out of the jurisdiction of the Republic of Singapore and the Singapore Third Parties have duly instructed their attorneys in the Republic of Singapore to enter appearance and contest the proceedings.

The hearing commenced on 28 February 2018. At the commencement of the hearing, Mr. Koh and Lily Bey, through their attorney, withdrew the Third-Party Proceedings against the Singapore Third Parties. However, Mr. Koh and Lily Bey did not agree to the amount of legal costs payable to the Singapore Third Parties for the withdrawal of the Third-Party Proceedings. In this regard, the legal costs to be paid by Mr. Koh and Lily Bey to the Singapore Third Parties shall be determined by the High Court of The Republic of Singapore at a taxation hearing. The Company's attorney filed a bill of costs related to the amount of legal costs payable to the Singapore Third Parties for the withdrawal of the Third-Party Proceedings on 23 May 2018. On 19 June 2018, Mr. Koh and Lily Bey have been ordered by the High Court of The Republic of Singapore to pay legal costs for the sum of S\$99,000 to the Singapore Third Parties. Formal demand for the payment has been issued to Mr. Koh and Lily Bey. Yet, on 3 July 2018, Mr. Koh and Lily Bey have filed a summons for review of the taxation order. On 11 July 2018 and 16 July 2018, statutory demands were served on Lily Bey and Mr. Koh respectively, demanding payment of the legal costs as awarded. On 23 July 2018, Lily Bey fully settled the said legal cost of S\$99,000.

On 8 October 2018, an oral judgment was handed down by the trial judge who ruled in favour of Evotech against Mr. Koh and Lily Bey jointly and severally in the total sum claimed by Evotech with interests running on each of these sums, while the formal judgment was released on 16 October 2018.

On 7 November 2018, Mr. Koh and Lily Bey filed a notice of appeal to the Court of Appeal of Singapore to appeal against the judgment. Evotech is continuing to seek legal advice in relation to the enforcement of the judgment against Mr. Koh and Lily Bey and in the process of implementing such.

For details, please refer to the announcements of the Company dated 4 September 2016, 23 November 2016, 10 February 2017, 2 March 2018 and 10 October 2018.

- (2) On 2 November 2017, the Company received a demand letter from Kesterion Investments Limited (“Kesterion”). On 17 November 2017, the Company received a Writ of Summons issued by Kesterion in the High Court of the Hong Kong Special Administrative Region under Action Number 2631 of 2017 against CAAL Capital Company Limited (“CAAL”) as the 1st Defendant and the Company as the 2nd Defendant.

On 20 and 21 November 2017, the Company and its authorised representatives respectively received another Writ of Summons issued by Kesterion in the High Court of the Hong Kong Special Administrative Region under Action Number 2662 of 2017 against the Company (collectively “the Writs”).

The Writs are in relation to the repayment of a loan facility originally advanced by Kesterion to the Company. On 4 November 2016, the Company was notified by CAAL that CAAL and Kesterion had entered into a deed of assignment on 31 October 2016 pursuant to which all loan facility originally advanced by Kesterion were assigned to CAAL.

The Company filed its defence for both actions on 25 January 2018. Kesterion filed its reply for both actions on 22 February 2018.

On 5 March 2018, by consent, the Court ordered that these two actions be consolidated, and that under the consolidated action, Kesterion is the Plaintiff while CAAL and the Company are the 1st Defendant and the 2nd Defendant, respectively. On 28 June 2018, CAAL filed its defence for the consolidated action.

As the claim under the Writs is related to the assignment between Kesterion and CAAL and the Company has already recorded the corresponding loan in the condensed consolidated financial statements, the Board considered that the claim under the Writs shall have no adverse impact upon the financial position of the Group.

For details, please refer to the announcement of the Company dated 28 November 2017.

- (3) On 2 July 2018, Evotech received a Writ of Summons issued by Kesterion in the High Court of the Republic of Singapore under Case Number HC/S 653 of 2018 (the “Writ”) in relation to the repayment of a loan provided by Kesterion to Evotech in the sum of S\$400,000. As stated in the Writ, the loan was interest free and repayable on demand and were for the purposes of settling the obligations owed to the Singapore authorities, specifically, the Goods and Services Tax payments owed to the Inland Revenue Authority of Singapore, as a result of the surrender of leasehold property as mentioned in the Company’s announcement dated 4 September 2016 and for general working capital of Evotech.

Evotech has engaged a Singapore law firm to contest the proceedings. The memorandum of appearance was filed by the Singapore law firm on behalf of Evotech on 9 July 2018. On 24 July 2018, Evotech has filed a defence denying the claim and counterclaiming S\$500,000 being the loans made by Evotech to Kesterion in May 2016.

The Board has obtained legal opinion and expects that the Writ will have no significant effects on the overall financial and/or operational conditions of the Group.

For details, please refer to the announcement of the Company dated 4 July 2018.

Save as disclosed in the above section, during the Period, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

LISTING STATUS

The Company has received a letter dated 2 December 2016 from the Stock Exchange considered that the Company has failed to maintain sufficient operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares. The Stock Exchange has therefore decided to suspend trading in the Company's shares under Rule 9.04 of the GEM Listing Rules and commence the procedures to cancel the Company's listing under Rules 9.14 to 9.16 of the GEM Listing Rules (the "Decision"). The Letter serves as a notice to the Company under Rule 9.15 of the GEM Listing Rules.

After considering legal advice, the Company through its lawyer submitted a written request to the GEM Listing Committee of the Stock Exchange (the "Committee") pursuant to Chapter 4 of the GEM Listing Rules for reviewing of the Decision on 6 December 2016. On 14 December 2016, it was confirmed by the Stock Exchange that the review hearing of the Committee has been scheduled on 7 March 2017.

On 17 March 2017, the Stock Exchange notified the Company that the Committee, having considered all the submissions (both written and oral) made by the Company to the Listing Department of the Stock Exchange, the Committee considered that the Company had failed to maintain sufficient operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of the Company's shares. The Committee therefore decided to uphold the Decision to suspend trading in the Company's shares under Rule 9.04 of the GEM Listing Rules and commence the procedures to cancel the Company's listing under Rules 9.14 to 9.16 of the GEM Listing Rules.

After considering legal advice, the Board has decided not to appeal against the decision of the Committee to the Listing Appeals Committee.

At the request of the Company, trading in shares of the Company has been suspended with effect from 9:00 a.m. on 20 March 2017.

On 15 September 2017, the Company submitted the Resumption Proposal to the Stock Exchange and entered into a restructuring framework agreement with an investor to set out the terms of the proposed restructuring comprising (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Creditors Schemes; and (iv) the Acquisition.

On 30 October 2017, the Company received a letter from the Stock Exchange in which it stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal on or before 8 January 2018.

On 19 January 2018, the Stock Exchange granted an extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 March 2018 and despatch the circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 19 June 2018. On 29 March 2018, the Stock Exchange granted a further extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 June 2018 and despatch the circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 12 September 2018.

On 28 June 2018, the Company and the Investor entered into the second supplemental restructuring framework agreement pursuant to which, the restructuring framework agreement (as amended and supplemented by the first supplemental restructuring framework agreement dated 9 November 2017) were further amended and supplemented to give effect to certain terms of the proposed restructuring.

On 29 June 2018, the Company has submitted the Listing Application to the Stock Exchange and the Securities and Futures Commission for vetting. With the view that the Company is in the process of preparing the financial information of the Target Group for the stub period ended 31 July 2018 for the Listing Application, on 6 September 2018, the Executive had granted an extension of time for the despatch of the circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 31 December 2018.

On 23 November 2018, the Company and the Investor entered into two agreements to amend and restate certain terms of the Restructuring Framework Agreement and the Acquisition Agreement respectively.

On 3 January 2019, as additional time is required for the vetting process of the Circular in view of the resubmission of the Listing Application (as detailed below), the Executive had granted an extension of time for the despatch of the circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 31 January 2019.

Rule 12.07 of the GEM Listing Rules stipulates that if the listing of a new applicant remains outstanding for more than 6 months after the date of the application form, a new application form together with a further listing fee in the prescribed amount must be submitted to the Stock Exchange. Therefore, as the Company had submitted the Listing Application to the Stock Exchange on 29 June 2018 and the listing of the Target Group is expected to remain outstanding for more than 6 months after the date of submission of the Listing Application and as a result of which has lapsed on 29 December 2018, on 4 January 2019, the Company re-submitted a new listing application with a view to continue the application for listing of the Target Group's business.

For details of all the above, please refer to the announcements of the Company dated 2 December 2016, 6 December 2016, 20 March 2017, 9 November 2017, 10 November 2017, 21 December 2017, 22 January 2018, 22 February 2018, 23 March 2018, 4 April 2018, 4 May 2018, 4 June 2018, 28 June 2018, 29 June 2018, 1 August 2018, 31 August 2018, 2 October 2018, 2 November 2018, 3 December 2018 and 31 December 2018.

OUTLOOK

The Group is principally engaged in trading of metals and securities.

Among the Group's two business segments, the trading of metals contributed majority of the Company's revenue for the Period. In view of the high demand for stainless steel wires from the mobile communication and medical industries as raw materials in recent years, and the US-China trade war is expected to be scaled-down in the coming few months, revenue from the trading of metals expected to resume. Also, in order to streamline and improve efficiency, the Group will continue to focus its resources on metals trading.

On the other hand, the Acquisition forms part and parcel of the Resumption Proposal. Upon completion of the Resumption Proposal, the Group will primarily engage in the Target Group's business. All the existing businesses including assets and liabilities of the Company will be transferred to a nominee of the scheme administrator.

The Group will continue to take various measures to enhance its liquidity and financial position including, but not limited, to the possible disposal of the equity of individual subsidiaries of the Group. The Company will consult its advisers in this respect for the possible measures.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

The board of Directors (the "Board") of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three and nine months ended 31 December 2018 together with the comparative figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|-------|--|---------------------------------|---------------------------------------|---------------------------------|
| | | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Continuing operations | | | | | |
| Turnover | 4 | 9,203 | 12,409 | 28,764 | 42,023 |
| Revenue | 4 | 9,203 | 10,468 | 26,532 | 30,519 |
| Cost of sales | | (8,893) | (10,469) | (25,687) | (29,640) |
| Gross profit/(loss) | | 310 | (1) | 845 | 879 |
| Administrative expenses | | (10,105) | (2,073) | (19,821) | (15,313) |
| Other income/(expenses), net | 5 | 28,428 | 5,733 | 24,867 | (1,329) |
| Profit/(Loss) from operations | | 18,633 | 3,659 | 5,891 | (15,763) |
| Finance costs | 6 | (15,576) | (13,119) | (45,496) | (39,223) |
| Profit/(Loss) before tax | | 3,057 | (9,460) | (39,605) | (54,986) |
| Income tax expenses | 7 | – | – | (14) | – |
| Profit/(Loss) for the period from continuing operations | | 3,057 | (9,460) | (39,619) | (54,986) |
| Discontinued operations | | | | | |
| Loss for the period from discontinued operations | 8 | (737) | (143) | (9,643) | (4,216) |
| Profit/(Loss) for the period | | 2,320 | (9,603) | (49,262) | (59,202) |
| Other comprehensive income/(expenses) for the period, net of tax | | | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | | | |
| Exchange differences on translating foreign operations | | 163 | 153 | 4,267 | (950) |
| Total comprehensive income/(expenses) for the period | | 2,483 | (9,450) | (44,995) | (60,152) |

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|---|---------------------------------|--|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Profit/(Loss) for the period attributable to owners of the Company | | | | |
| – from continuing operations | 3,057 | (9,460) | (39,619) | (54,986) |
| – from discontinued operations | (737) | (143) | (9,643) | (4,219) |
| | <u>2,320</u> | <u>(9,603)</u> | <u>(49,262)</u> | <u>(59,205)</u> |
| Profit/(Loss) for the period attributable to owners of the Company | | | | |
| | 2,320 | (9,603) | (49,262) | (59,205) |
| Profit for the period attributable to non-controlling interest | | | | |
| – from continuing operations | – | – | – | – |
| – from discontinued operations | – | – | – | 3 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>3</u> |
| Profit for the period attributable to non-controlling interest | | | | |
| | – | – | – | 3 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>3</u> |
| | <u>2,320</u> | <u>(9,603)</u> | <u>(49,262)</u> | <u>(59,202)</u> |
| Total comprehensive income/(expenses) for the period attributable to: | | | | |
| Owners of the Company | 2,483 | (9,450) | (44,995) | (60,149) |
| Non-controlling interests | – | – | – | 3 |
| | <u>2,483</u> | <u>(9,450)</u> | <u>(44,995)</u> | <u>(60,152)</u> |

| | Note | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|------|---|----------------------|--|----------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | HK\$ (unaudited) | HK\$ (unaudited) | HK\$ (unaudited) | HK\$ (unaudited) |
| Earnings/(Loss) per share | 9 | | | | |
| From continuing and discontinued operations | | | | | |
| Basic | | <u>0.068 cents</u> | <u>(0.281) cents</u> | <u>(1.442) cents</u> | <u>(1.734) cents</u> |
| Diluted | | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| From continuing operations | | | | | |
| Basic | | <u>0.090 cents</u> | <u>(0.277) cents</u> | <u>(1.160) cents</u> | <u>(1.610) cents</u> |
| Diluted | | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

NOTES TO THE CONDENSED QUARTERLY 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, Uglad House, Grand Cayman, KYI-1104 Cayman Islands. It's principal business is investment holding.

The major subsidiaries of the Company are principally engaged in trading of metals and securities.

2. GOING CONCERN BASIS

The Group had a total deficit of approximately HK\$49,262,000 for the Period, which indicated that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The condition above indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. To address the issues above, the Company had explored and negotiated with the investor, the creditors and any other parties concerned for the Proposed Restructuring of the Group.

As the Company is preparing the Resumption Proposal, the successful implementation of which will affect, including but not limited to, the Proposed Restructuring comprising (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; and (iv) the Acquisition. For details, please refer to the section "Listing Status" above. The Directors are of the view that the major procedures of the Proposed Restructuring will eventually be agreed upon by the Company's creditors, the investor, management of the Target Group, the Company's shareholders and any other parties concerned, and will be successfully implemented. Besides, the Directors have considered that the Group obtained additional financing facilities from an independent third party of approximately HK\$35,000,000 in June 2018. Accordingly, the Directors have prepared the condensed consolidated financial statements on a going concern basis.

Should the Group be unable to achieve a successful restructuring as mentioned above, or alternatively, under other available options of restructuring, and therefore be unable to continue its business as a going concern, adjustments might have to be made to the carrying amounts of the Group's assets to state them at their recoverable amounts and to provide for any further liabilities which might arise.

3. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the applicable disclosure requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

These 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 2018.

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 2018.

4. REVENUE

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

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------------------------|--|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Sale of metals | 9,203 | 10,468 | 26,532 | 30,519 |
| Proceeds from sale of listed securities | – | 1,941 | 2,232 | 11,504 |
| Turnover | 9,203 | 12,409 | 28,764 | 42,023 |

5. OTHER INCOME/(EXPENSES), NET

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------------------------|--|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Continuing operations | | | | |
| Fair value (loss)/gain on financial assets at fair value through profit or loss | (3,915) | 3,919 | (8,641) | 4,614 |
| Gain/(loss) on disposal of financial assets at fair value through profit or loss | – | 113 | 1,002 | (4,043) |
| Gain on disposal of subsidiaries | 32,451 | – | 32,451 | – |
| Reversal of provision of compensation paid to suppliers | – | – | – | 1,700 |
| Dividend income from the listed securities | – | – | – | 20 |
| Loss on de-registration of subsidiaries | – | – | – | (7,150) |
| Sundry (expenses)/income | (108) | 1,701 | 55 | 3,530 |
| | <u>28,428</u> | <u>5,733</u> | <u>24,867</u> | <u>(1,329)</u> |

6. FINANCE COSTS

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---------------------------------|---|---------------------------------|--|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Continuing operations | | | | |
| Interest on convertible bonds | 13,050 | 11,481 | 37,633 | 32,970 |
| Interest on promissory notes | 373 | 230 | 2,201 | 1,967 |
| Interest on corporate bonds | 320 | 323 | 944 | 1,017 |
| Interest on bank and overdrafts | 798 | 49 | 1,624 | 70 |
| Interest on other borrowings | 1,035 | 1,036 | 3,094 | 3,199 |
| | <u>15,576</u> | <u>13,119</u> | <u>45,496</u> | <u>39,223</u> |

7. INCOME TAX EXPENSES

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 (2017: Nil).

Entities incorporated in other countries are subject to income tax rates of 17% to 25% (2017: 17% to 25%) prevailing in the countries in which such entities operate, based on existing legislation, interpretation and practices in respect thereof.

8. DISCONTINUED OPERATIONS

During the Period the Group ceases its businesses regarding trading of beverages, household products and nephrite due to their limited contribution to the Group so as to minimize losses. Also, the charterer agreement for chartering out of pleasure vessel has been ended in August 2018 and no renewal of the agreement has been made. While the Group is taking various measures to enhance its liquidity and financial position including but not limited to disposal of equity interests in the subsidiaries of the Group. Therefore, all the performance related to the above-mentioned businesses have been classified and accounted for at 31 December 2018 as discontinued operations.

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|---|---------------------------------|--|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Loss for the period from discontinued operations: | | | | |
| Revenue | – | 16,900 | 5,283 | 55,293 |
| Cost of sales | – | (15,888) | (4,405) | (51,396) |
| Administrative expenses | (735) | (906) | (2,585) | (3,945) |
| Other losses | – | (9) | (9,918) | (3,509) |
| Finance costs | – | (206) | (415) | (585) |
| Loss before tax | (735) | (109) | (12,040) | (4,142) |
| Income tax expenses/(credit) | (2) | (34) | 2,397 | (74) |
| Loss for the period from discontinued operations | <u>(737)</u> | <u>(143)</u> | <u>(9,643)</u> | <u>(4,216)</u> |
| Attributable to: | | | | |
| Owners of the Company | (737) | (143) | (9,643) | (4,216) |
| Non-controlling interest | – | – | – | – |
| | <u>(737)</u> | <u>(143)</u> | <u>(9,643)</u> | <u>(4,216)</u> |

9. LOSS PER SHARE

Basic loss per share

(a) From continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the three months period ended 31 December 2018 of approximately HK\$2,320,000 (2017: loss of approximately HK\$9,603,000) and the loss attributable to owners of the Company for the Period of approximately HK\$49,262,000 (2017: approximately HK\$59,205,000), and the weighted average number of ordinary shares of 3,415,197,762 shares (2017: 3,415,197,762 shares) in issue during the two respective periods.

(b) From continuing operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the three months period ended 31 December 2018 of approximately HK\$3,057,000 (2017: loss of approximately HK\$9,460,000) and the loss attributable to owners of the Company for the Period of approximately HK\$39,619,000 (2017: approximately HK\$54,986,000), and the weighted average number of ordinary shares of 3,415,197,762 shares (2017: 3,415,197,762 shares) in issue during the two respective periods.

(c) From discontinued operations

Basic loss per share from the discontinued operations for the three months period ended 31 December 2018 is HK0.022 cents per share (2017: HK0.004 cents per share), based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$737,000 (2017: approximately HK\$143,000) and the weighted average number of ordinary shares of 3,415,197,762 shares (2017: 3,415,197,762 shares) in issue during the period.

While the basic loss per share from the discontinued operations for the Period is HK0.282 cents per share (2017: HK0.124 cents per share), based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$9,643,000 (2017: approximately HK\$4,219,000) and the weighted average number of ordinary shares of 3,415,197,762 shares (2017: 3,415,197,762 shares) in issue during the Period.

Diluted loss per share

For all (a), (b) and (c) cases above, 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.

10. EVENT AFTER THE REPORTING PERIOD

On 25 January 2019, an indirect wholly-owned subsidiary of the Company, Ultra Treasure Limited (“Ultra Treasure”), entered into a disposal agreement (the “Disposal Agreement”) with the purchaser (the “Purchaser”) to dispose a vessel at the consideration of HK\$6,500,000, in which HK\$650,000 has been received upon signing of the Disposal Agreement as the deposit, and the remaining balance of HK\$5,850,000 shall be payable by the Purchaser to an escrow account held by an escrow agent on or before the date of Completion and the escrow agent shall release such amount to Ultra Treasure upon delivery of the vessel. Completion shall take place on or before 8 March 2019.

11. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | (Unaudited) | | | | | | | |
|--|---------------------------------------|---------------------------|--|--|--------------------------------|-------------------|---------------------------------------|--------------------------|
| | Attributable to owners of the Company | | | | | | | |
| | Share capital HK\$'000 | Share premium HK\$'000 | Foreign currency translation reserve HK\$'000 | Convertible bonds equity reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 April 2017 (audited) | 273,216 | 3,661,406 | (3,416) | 141,439 | (4,410,980) | (338,335) | (10,442) | (348,777) |
| Total comprehensive expenses for the period | - | - | (950) | - | (59,202) | (60,152) | - | (60,152) |
| Deregistration of subsidiaries | - | - | - | - | - | - | 10,442 | 10,442 |
| Changes in equity for the period | - | - | (950) | - | (59,202) | (60,152) | 10,442 | (49,710) |
| At 31 December 2017 (unaudited) | 273,216 | 3,661,406 | (4,366) | 141,439 | (4,470,182) | (398,487) | - | (398,487) |
| At 1 April 2018 (audited) | 273,216 | 3,661,406 | 1,633 | 141,439 | (4,487,072) | (409,378) | (653) | (410,031) |
| Total comprehensive income/(expenses) for the period | - | - | 4,267 | - | (49,262) | (44,995) | - | (44,995) |
| Changes in equity for the period | - | - | 4,267 | - | (49,262) | (44,995) | - | (44,995) |
| At 31 December 2018 (unaudited) | 273,216 | 3,661,406 | 5,900 | 141,439 | (4,536,334) | (454,373) | (653) | (455,026) |

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the Period (2017: Nil).

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

As at 31 December 2018, there are no interests and/or 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 Securities and Futures Ordinance (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/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 31 December 2018, 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/or short positions in shares of the Company

| Name of shareholder | Number of shares | Approximate percentage of shareholding | Capacity |
|---------------------|------------------|--|------------------|
| Yeung Wing Yee | 846,760,000 | 24.79 | Beneficial owner |

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any other person (other than any Directors or chief executives of the Company) who had an interest and/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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and chief executives' interests and/or 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 July 2012 (the "Share Option Scheme") for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group and will expire on 29 July 2022. Under the Share Option Scheme, the directors 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 Share Option Scheme is valid and effective for a period of ten years from the adoption date.

The total number of shares in respect of which options may be granted under the 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 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 dismissed by the Group by reason of persistent or serious misconduct, breach of material term of the relevant employment contract or summary dismissal.

All the share options have been lapsed during the year ended 31 March 2017. There was no outstanding share options during the Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their associates (as defined in the GEM Listing Rules), is or was interested in any business apart from the Group's business, that of the Company competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Period and up to and including the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 principles and 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 be separated and should not be performed by the same individual. Subsequent to the removal of former CEO Mr. Cheung Hung Man by the Board on 23 May 2016, the post has been vacant as at 31 December 2018. 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 of 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.

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.

CHANGE OF DIRECTORS’ INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules upon specific enquiry by the Company and following confirmations from the Directors, there is a change in the information of the Directors subsequent to the date of the Company’s annual report 2017/18 as set out below:

Ms. Hung Wai Man was appointed as an executive Director with effect from 7 November 2018.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three members, of which all are independent non-executive Directors, namely Dr. Wan Ho Yuen, Terence, Mr. Li Kwok 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 roles and functions of the Audit Committee which includes overseeing the relationship with auditor, reviewing and supervising financial reporting system, risk management and internal control procedures of the Group and reviewing and approving the Company's annual reports and accounts, interim report and quarterly reports to the Board. The Audit Committee has reviewed this quarterly report in accordance with the GEM Listing Rules.

By Order of the Board

Union Asia Enterprise Holdings Limited

Yip Man Yi

Chairman

Hong Kong, 29 January 2019

As at the date of this report, the Board comprises three executive Directors, Ms. Yip Man Yi, Mr. Shiu Chi Tak, Titus and Ms. Hung Wai Man, and three independent non-executive Directors, Dr. Wan Ho Yuen, Terence, Mr. Li Kwok Chu and Mr. Lau Shu Yan.