



**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)



**FIRST QUARTERLY REPORT  
2019/20**

## **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.

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

*THIS REPORT, FOR WHICH THE DIRECTORS (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**

There was no material acquisition or disposal during the three months ended 30 June 2019 (the "Period") and 30 June 2018.

### **BUSINESS AND FINANCIAL REVIEW**

The Group's revenue for the Period amounted to approximately HK\$8,073,000 (2018: approximately HK\$8,667,000), decreased by approximately HK\$594,000 as compared to the same period in 2018. The decrease in revenue was mainly attributable to the US-China Trade War incurred during the Period related to the trading of metals.

During the Period, the Group has incurred a gross profit of approximately HK\$58,000 (2018: approximately HK\$268,000). Other income, amounted to approximately HK\$1,150,000 (2018: amounted to approximately HK\$50,000). Loss for the Period decreased to approximately HK\$20,846,000 (2018: approximately HK\$21,359,000), of which the decrease was mainly resulted from the recovery of partial proceeds related to the Singapore Legal Action (as defined in the section "Litigation" beneath) by performing the writ of seizure and sale of Lily Bey's property amounting to approximately S\$198,000.

### **CAPITAL STRUCTURE AND LIQUIDITY**

#### **Proposed Capital Reorganization**

The Company has originally proposed a capital reorganization on 9 November 2017, being part of the resumption proposal ("Original Resumption Proposal") in relation to the proposed restructuring being submitted by the Company to the Stock Exchange on 15 September 2017. In response to the changes in market conditions and the developments of the negotiations between the Company, the Investor and other parties to the Original Resumption Proposal with a view to address the concerns raised by the regulators during the vetting process of the Circular, the Company proposes to implement the amended capital reorganisation (the "Capital Reorganization") on 16 May 2019 as follows:

- (i) the Share Premium Cancellation: the entire amount in the sum of HK\$3,661,406,000 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 of approximately HK\$4,525,374,000;
- (ii) Share Consolidation: every fifty issued Shares of HK\$0.08 each will be consolidated into one Consolidated Share of HK\$4.0 each in the issued share capital of the Company, so there will be a total of 68,303,955 Consolidated Shares in issue upon Share Consolidation taking effect;
- (iii) Capital Reduction: upon Share Consolidation taking effect, (i) any fractions of Shares arising out of the Share Consolidation will be cancelled; and (ii) 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 of approximately HK\$273,208,990 arising therefrom will be applied to further set off the accumulated loss of the Company of approximately HK\$4,525,374,000;

- (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.

Upon the Capital Reorganisation becoming effective, the accumulated loss of the Company will be reduced from approximately HK\$4,525.4 million to approximately HK\$590.8 million.

The Capital Reorganization was approved by the shareholders as special resolutions by way of poll at the extraordinary general meeting of the Company being held on 24 June 2019. It will become effective subject to the approval from the Grand Court of the Cayman Islands and the Listing Committee of the GEM Board. As at the date of this report, the Capital Reorganization has not become effective.

For details, please refer to the announcements of the Company dated 9 November 2017, 14 November 2017, 16 May 2019, 29 May 2019 and 24 June 2019.

### **Proposed share offer**

The Company has originally proposed an open offer on 9 November 2017 being part of the Original Resumption Proposal. In response to the changes in market conditions and the developments of the negotiations between the Company, the Investor and other parties to the Original Resumption Proposal with a view to address the concerns raised by the regulators during the vetting process of the Circular, the Company proposes to offer a total of 227,679,850 offer shares ("Offer Shares") for subscription at the offer price (i.e. HK\$0.19 per Offer Share) ("Share Offer") on 16 May 2019. Half of the Offer Shares are available for subscription by the members of the public and another half of the Offer Shares ("Reserved Shares") are available for subscription by the qualifying shareholders under the preferential offering as the assured entitlement on the basis of ten Reserved Shares for every six new shares. The Share Offer will be fully underwritten by the underwriters subject to the terms and conditions of the underwriting agreement.

The Share Offer is conditional upon, among others, (i) the underwriting agreement becoming unconditional, (ii) the underwriter not terminating the underwriting agreement in accordance with its terms; and (iii) the subscription level of the public Offer Shares by the new public shareholders demonstrating sufficient public interest.

For details, please refer to the announcements of the Company dated 9 November 2017, 14 November 2017, 16 May 2019, 29 May 2019 and 24 June 2019.

Net liabilities of the Group deteriorated to approximately HK\$510,828,000 as at 30 June 2019 from approximately HK\$489,977,000 as at 31 March 2019. The increase in net liabilities was mainly attributable to the increase in other borrowings and the relevant finance costs incurred during the Period.

## 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, 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 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 ("Judgment Sum"), while the formal judgment was released on 16 October 2018.

On 7 November 2018, Mr. Koh and Lily Bey filed a notice of appeal ("Appeal") to the Court of Appeal of Singapore to appeal against the judgment. The Appeal is presently scheduled on 13 August 2019.

On 2 May 2019, the Company recovered the Judgment Sum in the amount of S\$198,000 by performing the writ of seizure and sale of Lily Bey's property. 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.

The Board has obtained legal opinion that both Evotech and the Company have meritorious claim and defence in the Singapore Legal Action and the Appeal and such proceedings shall have no adverse impact upon the financial position of the Company and its subsidiaries (the "Group"). Therefore, no provision in respect of the Singapore Legal Action and the Appeal was made in the condensed consolidated financial statements.

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

- (2) On 2 November 2017, the Company received a demand letter from Kesterion Investments Limited (“Kesterion”) requesting repayment of a loan amounting to approximately HK\$93 million.

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 Hong Kong Writs”).

The Hong Kong 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 Hong Kong 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 Hong Kong 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 “Singapore 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 Singapore 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.

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 loan made by Evotech to Kesterion in May 2016.

The Board has obtained legal opinion and expects that the Singapore 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 discussed in the above section, during the Period, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the 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 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 commenced the procedures to cancel the Company's listing under Rules 9.14 to 9.16 of the GEM Listing Rules.

Accordingly trading in the shares of the Company has been suspended with effect from 9:00 a.m. on 20 March 2017. and the Company was required to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets as required by Rule 17.26 of the GEM Listing Rules at least 10 Business Days before the expiry of a period of six months from the date of the decision of the Committee (i.e. 17 September 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 Stock Exchange approved the Resumption Proposal and agreed to allow the Company to submit a new listing application relating to the Resumption Proposal on or before 8 January 2018. Subsequently, the Company had applied for, and the Stock Exchange had granted, extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 June 2018. On 29 June 2018, the Company submitted the new listing application.

The Restructuring Framework Agreement dated 15 September 2017 (as supplemented and amended on 9 November 2017 and 28 June 2018, respectively), the Acquisition Agreement dated 15 September 2017 (as supplemented and amended on 9 November 2017 and 28 June 2018, respectively), the Investor Loan Agreement dated 5 December 2017 and the underwriting agreement in respect of the Open Offer dated 28 June 2018 had been subsequently amended in various occasions in response to the changes in market conditions and the developments of the negotiations between the Company, the Investor and other parties to the Resumption Proposal with a view to addressing the concerns raised by the regulators during the vetting process of the draft circular.

On 23 November 2018, the Company further amended the Resumption Proposal, which was subsequently finalised on 16 May 2019 under the Amended and Restated Agreements entered into between the Company and the relevant parties. Pursuant to the Amended and Restated Agreements, the finalised Resumption Proposal involved:

- (i) the Capital Reorganisation comprising the Share Premium Cancellation, the Share Consolidation, the Capital Reduction, the Unissued Share Capital Cancellation and the Authorised Share Capital Increase;
- (ii) the Share Offer of a total of 227,679,850 Offer Shares for subscription at the Offer Price (i.e. HK\$0.19 per Offer Share) which will be fully underwritten by the Underwriter pursuant to the Underwriting Agreement:
  - Public Offer: a total of 113,839,925 Offer Shares (i.e. the Public Offer Shares) for subscription by members of the public; and
  - Preferential Offering: a total of 113,839,925 Offer Shares (i.e. the Reserved Shares) for subscription by the Qualifying Shareholders on assured basis;
- (iii) the Creditors Schemes: the Creditors with the Claims admitted under the Creditors Schemes would be entitled to receive the Creditors Schemes Consideration of approximately HK\$13.4 million, which is to be satisfied by way of allotment and issue of 70,331,984 New Shares (i.e. the Creditors Shares) at the issue price of HK\$0.19 each and such other sums as may be realised by the Scheme Administrators from the Creditors Schemes Assets;
- (iv) the Acquisition: the Company will acquire the entire issued share capital of the Target Company (i.e. the Sale Shares) for the Consideration of approximately HK\$144.4 million which will be satisfied by way of allotment and issue of 760,000,000 Consideration Shares (representing approximately 62.2% of the Enlarged Issued Share Capital) to the Investor at the Issue Price of HK\$0.19 each; and

- (v) the provision of the Investor Loan and Investor Loan Capitalisation: the Investor agreed to provide the Investor Loan up to HK\$23 million while up to approximately HK\$18 million of which shall be settled by the allotment and issue of the Capitalisation Shares of up to 94,736,842 New Shares (representing approximately 7.8% of the Enlarged Issued Share Capital) at the issue price of HK\$0.19 each and the remaining HK\$5 million and the interest of 5.5% per annum accrued on the amount of the Investor Loan in excess of approximately HK\$18 million shall be settled in cash by proceeds from the Share Offer on the Repayment Date in the event that Completion takes place on the Repayment Date, but fully settled in cash in the event that Completion does not take place on the Repayment Date.

On 4 January 2019, the Company re-submitted a new listing application, and on 24 May 2019, the Stock Exchange has granted the approval-in-principle in relation to the new listing application. Also, the major components as mentioned in (i)-(v) above were approved by the shareholders by way of poll at the extraordinary general meeting of the Company being hold on 24 June 2019.

For details, 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, 31 December 2018, 31 January 2019, 28 February 2019, 28 March 2019, 29 April 2019, 16 May 2019, 29 May 2019 and 24 June 2019.

## OUTLOOK

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

Among the Group's two business segments, the trading of metals contributed the Company's revenue for the Period. Stainless steel wires are widely applied in the manufacturing of electric appliances, mobile communication equipment and highly precise surgical instruments, with the continuous growth of the smartphone market, rapid development of the mobile communication and rising demand for advanced medical equipment in Hong Kong and the PRC, demand of stainless steel wires from mobile communication and medical industries as raw materials and thus the trading of stainless steel wires kept at a steady level throughout the Period.

On the other hand, the Acquisition forms part and parcel of the Resumption Proposal seeking for the resumption of trading in the shares. 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 special purpose vehicle to be established and controlled by the scheme administrators to hold those assets.

Also, 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. And the Board will closely work with professional parties on the new listing application for the Resumption and strive for the best return to the shareholders.

## FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2019

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 Period together with the comparative figures for the corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 30 June	
	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Turnover	4	8,073	10,899
<b>Revenue</b>	4	8,073	8,667
<b>Cost of sales</b>		(8,015)	(8,399)
<b>Gross profit</b>		58	268
Administrative expenses		(5,029)	(5,456)
Other income		1,150	50
Other gains and losses	5	(927)	72
<b>Loss from operations</b>		(4,748)	(5,066)
Finance costs	6	(16,156)	(15,176)
<b>Loss before tax</b>		(20,904)	(20,242)
Income tax expenses	7	–	(15)
<b>Loss for the period from continuing operations</b>		(20,904)	(20,257)
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations	8	58	(1,102)
<b>Loss for the period and attributable to owners of the Company</b>		(20,846)	(21,359)
<b>Other comprehensive income after tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		216	421
<b>Other comprehensive expenses for the period, net of tax</b>		216	421
<b>Total comprehensive expenses for the period</b>		(20,630)	(20,938)

		For the three months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
<b>Loss per share</b>	Note		
<b>From continuing and discontinued operations</b>	9		
Basic		<u>(0.61) cents</u>	<u>(0.63) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>
<b>From continuing operations</b>			
Basic		<u>(0.61) cents</u>	<u>(0.59) cents</u>
Diluted		<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, Ugland House, Grand Cayman, KYI-1104, Cayman Islands. It's principal business is investment holding.

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

### **2. GOING CONCERN BASIS**

The Group had a total deficit of approximately HK\$20,846,000 for the Period, which indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address the issues above, the Company had submitted the Resumption Proposal to the Stock Exchange for the Proposed Restructuring of the Group.

As the Company had submitted the Resumption Proposal, the successful implementation of which will effect, including but not limited to, the Proposed Restructuring comprising (i) the Capital Reorganisation; (ii) the Share Offer; and (iii) the Creditors Schemes; (iv) the Acquisition. The Directors are of the view that the major procedures of the Resumption Proposal 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. 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 consolidated 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 2019.

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 2019.

Please also read in conjunction with the section "Listing Status" above, which forms part of the basis of preparation too.

### 4. REVENUE

Revenue represents the net amounts received and receivable for sales of goods to customers, net of goods returned and trade discounts. Turnover and revenue for the period are as follows:

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sale of metals	8,073	8,667
Revenue	8,073	8,667
Proceeds from sale of listed securities	–	2,232
Turnover	8,073	10,899



## 5. OTHER GAINS AND LOSSES

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Fair value (loss)/gain on financial assets at fair value through profit or loss	(927)	(930)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	—	1,002
	<u>(927)</u>	<u>1,002</u>
	<u>(927)</u>	<u>72</u>

## 6. FINANCE COSTS

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Interest on convertible bonds	13,743	12,011
Interest on promissory notes	304	1,037
Interest on corporate bonds	326	308
Interest on bank borrowings	—	796
Interest on other borrowings	1,783	1,024
	<u>16,156</u>	<u>15,176</u>
	<u>16,156</u>	<u>15,176</u>

## 7. INCOME TAX EXPENSES

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Current tax		
Provision for the period	–	15

Entities incorporated in other countries are subject to income tax rates of 16.5% to 30% (2018: 16.5% to 30%) prevailing in the countries in which such entities operate, based on existing legislation, interpretation and practices in respect thereof.

## 8. DISCONTINUED OPERATIONS

During the year ended 31 March 2019, the Group ceased the businesses of trading of beverages, trading of household products, trading of nephrite and chartering of vessel due to the unfavorable market conditions.

The profit/(loss) for the period from discontinued operations is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the discontinued operations.

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit of chartering of vessel (note a)	–	170
Loss of trading of beverages (note b)	–	(609)
Profit/(Loss) of trading of nephrites (note c)	58	(411)
Loss of trading of household products (note d)	–	(252)
	<u>58</u>	<u>(1,102)</u>

- (a) Profit of chartering of vessel, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the three months ended 30 June 2018 HK\$'000 (unaudited)
Revenue	420
Cost of sales	<u>—</u>
Gross profit	420
Administrative expenses	<u>(250)</u>
Profit of chartering of vessel for the period	<u><u>170</u></u>

- (b) Loss of trading of beverages, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the three months ended 30 June 2018 HK\$'000 (unaudited)
Administrative expenses	(397)
Finance costs	<u>(212)</u>
Loss of trading of beverages for the period	<u><u>(609)</u></u>

- (c) Loss of trading of nephrites, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other income	70	–
Administrative expenses	(12)	(411)
	<hr/>	<hr/>
Loss of trading of nephrites for the period	<u>58</u>	<u>(411)</u>

- (d) Loss of trading of household products, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the three months ended 30 June	
	2018 HK\$'000 (unaudited)	
Revenue	4,583	
Cost of sales	<hr/> (4,405)	
Gross profit	178	
Administrative expenses	<hr/> (430)	
Loss of trading of household products for the period	<u>(252)</u>	

## 9. LOSS PER SHARE

### (a) From continuing and discontinued operations

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

	For the three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share	(20,846)	(21,359)

	For the three months ended 30 June	
	2019 '000 (unaudited)	2018 '000 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	3,415,198	3,415,198

### Diluted loss per share

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share for both periods.

**(b) From continuing operations**

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

	For the three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u>(20,904)</u>	<u>(20,257)</u>

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

**(c) From discontinued operations**

Basic and diluted earnings per share from the discontinued operations is HK\$0.002 cents per share (2018: loss per share: HK\$0.032 cents) based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$58,000 (2018: loss for the period: approximately HK\$1,102,000) and the denominators used are the same as those detailed above for basic and diluted loss per share.

## 10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total equity HK\$'000
	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	
Adjusted balance as at 1 April 2018 (audited)	273,216	3,661,406	1,633	141,439	(4,487,332)	(409,638)	(653)	(410,291)
Total comprehensive income/(expenses) for the three months ended 30 June 2018	-	-	421	-	(21,359)	(20,938)	-	(20,938)
Changes in equity for the period	-	-	421	-	(21,359)	(20,938)	-	(20,938)
At 30 June 2018 (unaudited)	273,216	3,661,406	2,054	141,439	(4,508,691)	(430,576)	(653)	(431,229)
At 1 April 2019 (audited)	273,216	3,661,406	1,108	141,439	(4,567,146)	(489,977)	-	(489,977)
Total comprehensive income/(expenses) for the three months ended 30 June 2019	-	-	216	-	(20,846)	(20,630)	-	(20,630)
Changes in equity for the period	-	-	216	-	(20,846)	(20,630)	-	(20,630)
At 30 June 2019 (unaudited)	273,216	3,661,406	1,324	141,439	(4,587,992)	(510,607)	-	(510,607)

## INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the Period (2018: Nil).

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

As at 30 June 2019, there are no interest 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 30 June 2019, 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 30 June 2019, 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 THE COMPANY'S 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 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 30 June 2019. 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 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 confirms 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 during 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.

## **ADOPTION OF THE SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION**

On 24 June 2019, the adoption of the second amended and restated memorandum and 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, upon specific enquiry by the Company and following confirmations from the Directors, there is no change in the information of the Directors subsequent to the date of the Company's annual report 2018/19.

## **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, 9 August 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.*