



**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  
**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.

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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.

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **EXECUTIVE DIRECTORS**

- Mr. Chan Norman Enrique  
*(Chairman and Chief Executive Officer  
and appointed on 13 November 2019)*
- Mr. Lee Alex Kam-fai  
*(Appointed on 13 November 2019)*
- Ms. Yip Man Yi  
*(Resigned on 13 November 2019)*
- Mr. Shiu Chi Tak, Titus  
*(Resigned on 13 November 2019)*
- Ms. Hung Wai Man  
*(Resigned on 13 November 2019)*

#### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

- Mr. Kwong U Hoi Andrew  
*(Appointed on 13 November 2019)*
- Mr. Wong Jonathan  
*(Appointed on 13 November 2019)*
- Mr. Chi Chi Hung Kenneth  
*(Appointed on 13 November 2019)*
- Dr. Wan Ho Yuen, Terence  
*(Resigned on 13 November 2019)*
- Mr. Li Kwok Chu  
*(Resigned on 13 November 2019)*
- Mr. Lau Shu Yan  
*(Resigned on 13 November 2019)*

#### **AUDIT COMMITTEE**

- Mr. Chi Chi Hung Kenneth *(Chairman and  
appointed on 13 November 2019)*
- Mr. Kwong U Hoi Andrew  
*(Appointed on 13 November 2019)*
- Mr. Wong Jonathan  
*(Appointed on 13 November 2019)*
- Dr. Wan Ho Yuen, Terence  
*(Resigned on 13 November 2019)*
- Mr. Li Kwok Chu  
*(Resigned on 13 November 2019)*
- Mr. Lau Shu Yan  
*(Resigned on 13 November 2019)*

## **REMUNERATION COMMITTEE**

- Mr. Kwong U Hoi Andrew *(Chairman and  
appointed on 13 November 2019)*
- Mr. Wong Jonathan  
*(Appointed on 13 November 2019)*
- Mr. Chi Chi Hung Kenneth  
*(Appointed on 13 November 2019)*
- Mr. Li Kwok Chu  
*(Resigned on 13 November 2019)*
- Mr. Lau Shu Yan  
*(Resigned on 13 November 2019)*
- Dr. Wan Ho Yuen, Terence  
*(Resigned on 13 November 2019)*

## **NOMINATION COMMITTEE**

- Mr. Wong Jonathan *(Chairman and  
appointed on 13 November 2019)*
- Mr. Kwong U Hoi Andrew  
*(Appointed on 13 November 2019)*
- Mr. Chi Chi Hung Kenneth  
*(Appointed on 13 November 2019)*
- Mr. Li Kwok Chu  
*(Resigned on 13 November 2019)*
- Mr. Lau Shu Yan  
*(Resigned on 13 November 2019)*
- Dr. Wan Ho Yuen, Terence  
*(Resigned on 13 November 2019)*

## **COMPLIANCE OFFICER**

- Mr. Chan Norman Enrique  
*(Appointed on 13 November 2019)*
- Ms. Yip Man Yi  
*(Resigned on 13 November 2019)*

## **COMPANY SECRETARY**

- Mr. Tang Chi Chiu  
*(Appointed on 29 November 2019)*
- Ms. Hung Wai Man  
*(Resigned on 29 November 2019)*

## **AUTHORISED REPRESENTATIVES**

Mr. Chan Norman Enrique  
*(Appointed on 13 November 2019)*

Mr. Lee Alex Kam-fai  
*(Appointed on 13 November 2019)*

Mr. Shiu Chi Tak, Titus  
*(Resigned on 13 November 2019)*

Ms. Hung Wai Man  
*(Resigned on 13 November 2019)*

## **AUDITOR**

RSM Hong Kong  
*Certified Public Accountants*  
29th Floor, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## **COMPLIANCE ADVISER**

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Room 1606, 16th Floor, Tower 2  
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18 Harcourt Road  
Hong Kong

## **PRINCIPAL BANKS**

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1 Garden Road  
Hong Kong

Bank of Communications Co., Ltd.  
20 Pedder Street  
Central  
Hong Kong

The Hong Kong and Shanghai Banking  
Corporation Limited  
Level 10  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

China Citic Bank International limited  
61-65 Des Voeux Road Central  
Hong Kong

## **HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE**

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Hong Kong

## **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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## **REGISTERED OFFICE IN THE CAYMAN ISLANDS**

Cricket Square  
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Cayman Islands

## **STOCK CODE**

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## **COMPANY'S WEBSITE ADDRESS**

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**INDEPENDENT REVIEW REPORT  
TO THE BOARD OF DIRECTORS OF  
UNION ASIA ENTERPRISE HOLDINGS LIMITED  
(Incorporated in the Cayman Islands with limited liability)**

**Introduction**

We have reviewed the condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the “Group”) set out on pages 7 to 19, which comprises the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity for the nine months ended 31 December 2019, and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated financial information in accordance with the basis set out in note 2 to the condensed consolidated financial information. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of the preparation as set out in note 2 to the condensed consolidated financial information.

**Other Matters**

The comparative financial information of the Group which comprises the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity for the three months and nine months ended 31 December 2018 and related explanatory notes has not been audited or reviewed.

**RSM Hong Kong**

Certified Public Accountants

Hong Kong

11 February 2020

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

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

	Note	Three months ended 31 December		Nine months ended 31 December	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
<b>Revenue</b>	4	<b>15,167</b>	16,700	<b>47,075</b>	51,968
Cost of services		<b>(7,153)</b>	(6,947)	<b>(21,776)</b>	(21,442)
<b>Gross profit</b>		<b>8,014</b>	9,753	<b>25,299</b>	30,526
Other income		<b>38</b>	9	<b>280</b>	10
Other (losses)/gains		<b>(148)</b>	11	<b>(1,400)</b>	150
Listing expense	2(d)	<b>(57,302)</b>	—	<b>(57,302)</b>	—
Administrative expenses		<b>(5,997)</b>	(5,782)	<b>(16,532)</b>	(15,755)
<b>(Loss)/Profit from operations</b>		<b>(55,395)</b>	3,991	<b>(49,655)</b>	14,931
Finance costs	5	<b>(511)</b>	(317)	<b>(1,554)</b>	(955)
<b>(Loss)/Profit before tax</b>		<b>(55,906)</b>	3,674	<b>(51,209)</b>	13,976
Income tax	6	<b>(313)</b>	(613)	<b>(1,095)</b>	(2,060)
<b>(Loss)/Profit and total comprehensive income for the period</b>	7	<b>(56,219)</b>	3,061	<b>(52,304)</b>	11,916
<b>(Loss)/Earnings per share</b>	9				
Basic		<b>HK(5.59) cents</b>	HK0.40 cents	<b>HK(6.21) cents</b>	HK1.57 cents
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

	Attributable to the owners of the Company (Unaudited)				
	Share capital HK\$'000 (Note 11)	Share premium HK\$'000	Other reserves HK\$'000 (Note 12)	Retained profits/ (Accumulated losses) HK\$'000	Total equity HK\$'000
At 1 April 2018 (restated)	273,216	—	(272,997)	21,085	21,304
Total comprehensive income for the period	—	—	—	11,916	11,916
Dividends (Note 10)	—	—	—	(18,000)	(18,000)
Changes in equity for the period	—	—	—	(6,084)	(6,084)
At 31 December 2018 (restated)	273,216	—	(272,997)	15,001	15,220
At 1 April 2019 (restated)	273,216	—	(272,997)	20,251	20,470
Total comprehensive income for the period	—	—	—	(52,304)	(52,304)
Capital Reorganisation (Note 11(a))	(273,209)	—	—	—	(273,209)
Issue of Creditors Shares (Note 11(b))	7	13,356	—	—	13,363
Issue of Capitalisation Shares (Note 11(c))	9	17,991	—	—	18,000
Issue of shares under Share Offer (Note 11(d))	23	37,308	—	—	37,331
Acquisition of a subsidiary (Note 2)	76	87,524	204,515	—	292,115
Dividends (Note 10)	—	—	—	(19,000)	(19,000)
Changes in equity for the period	(273,094)	156,179	204,515	(71,304)	16,296
<b>At 31 December 2019</b>	<b>122</b>	<b>156,179</b>	<b>(68,482)</b>	<b>(51,053)</b>	<b>36,766</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Offices A-G, 15/F, Monterey Plaza, 15 Chong Yip Street, Kowloon, Hong Kong.

The Group is principally engaged in the provision of interior design and execution services.

In the opinion of the Directors of the Company, as at 31 December 2019, Whistle Up Limited ("**Whistle Up**"), a company incorporated in the British Virgin Islands, is the immediate and ultimate holding company and Mr. Chan Norman Enrique ("**Mr. Norman Chan**") is the ultimate controlling party of the Company.

The condensed consolidated financial information is presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand ("**HK\$'000**") except when otherwise indicated.

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information has been prepared in accordance with the applicable disclosures required by the GEM Listing Rules. The condensed consolidated financial information does not include all the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

The condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are measured at fair value.

On 13 November 2019, the restructuring, including, among others, capital reorganisation, creditors schemes, provision of investor loan and investor loan capitalisation, share offer and reverse takeover (as defined hereinunder) involving new listing application were completed. For details of the above restructuring, please refer to the Company's circular dated 29 May 2019 and the Company's prospectus dated 4 November 2019 (the "**Prospectus**"). On 13 November 2019, the Company completed an acquisition of the entire equity interests of Absolute Surge Limited ("**Absolute Surge**") by issue and allotment of 760,000,000 new shares at the price of HK\$0.19 each to Whistle Up which constituted a reverse takeover (the "**Reverse Takeover**"). Absolute Surge together with its subsidiaries (collectively referred to as the "**Absolute Surge Group**") are principally engaged in the provision of interior design and execution services.

The condensed consolidated financial information should be read in conjunction with the accountants' report on historical financial information of Absolute Surge Group for the three years ended 31 March 2019 and the three months ended 30 June 2019 ("**Historical Financial Information**") included in the Prospectus. The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the Historical Financial Information except as stated below.

As the Company had divested all of its operations, it was only a non-operating listed shell company and did not meet the definition of a business under HKFRS 3 Business Combinations ("**HKFRS 3**"). As such, the Reverse Takeover is not a business combination under HKFRS 3. The condensed consolidated financial information, has been prepared using reverse acquisition methodology, as a continuation of the consolidated financial statements of the legal acquiree — Absolute Surge (treated as the accounting acquirer), that is adjusted retroactively to reflect the capital of the legal parent (the Company is treated as the accounting acquiree). Comparative information presented also has been retroactively adjusted to reflect the legal capital of the Company. The condensed consolidated financial information reflected the following:

- (a) The assets and liabilities of Absolute Surge Group were recognised and measured at their carrying amounts.
- (b) The identifiable assets and liabilities of the Company were recognised and measured initially at their fair values at the completion date of the Reverse Takeover.
- (c) The deemed acquisition cost for obtaining control over the Company by Absolute Surge was determined using the fair value of the issued shares of the Company immediately before the completion of the Reverse Takeover, being 461,052,631 shares of the Company in issue at HK\$0.19 each (by reference to the offer to certain creditors to convert their debts into shares of the Company (Note 11(b)) and the Company's share offer price (Note 11(d)), both at HK\$0.19 per share), equivalent to approximately HK\$87,600,000.
- (d) The deemed acquisition cost was allocated to the identifiable assets and liabilities of the Company on the basis of their fair values at the completion date. The excess of the deemed acquisition cost over the fair value of the identifiable assets and liabilities of the Company amounting to approximately HK\$57,302,000 represented a share-based payment made in exchange for obtaining a listing status was considered as the cost of the listing and accounted for as an expense in accordance with HKFRS 2 Share-based Payment.
- (e) The retained profits and other equity balances of Absolute Surge Group before the completion of the Reverse Takeover.
- (f) The amount recognised as issued equity instruments in the condensed consolidated financial information was determined by adding the issued equity of Absolute Surge immediately before the completion of the Reverse Takeover and the deemed acquisition cost.
- (g) The condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2019 reflected the financial performance of Absolute Surge Group for the whole period and the financial performance of the Company after the completion of the Reverse Takeover.

### 3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases (“**HKFRS 16**”) from 1 April 2019. A number of other new standards are effective for the current period but they do not have a material effect on the condensed consolidated financial information.

HKFRS 16 supersedes HKAS 17 Leases (“**HKAS 17**”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease (“**HK(IFRIC)-Int 4**”), HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits as at 1 April 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under HKAS 17 and related interpretations.

#### **HKFRS 16 Leases**

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)-Int 4. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts that were entered into or changed on or after 1 April 2019.

(b) As a lessee

The Group leases many assets, such as office premises and office equipment.

As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date (except for short-term leases that have a lease term of 12 months or less and leases of low-value assets).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liability plus any lease payments made at or before the commencement date and any initial direct costs incurred) and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

### Transition

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates as at 1 April 2019. The right-of-use assets at the date of transition for leases previously classified as operating leases have been measured at an amount equal to the lease liabilities, adjusted by the amount of any relevant prepaid or accrued lease payments as at 31 March 2019. There is no impact on the opening retained profits.

The Group applied the following exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) Not to recognise right-of-use assets and lease liabilities for leases with less than 12 months as of the date of initial application of HKFRS 16.
- (ii) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (iii) Used hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the Group's incremental borrowing rates as at 1 April 2019. The weighted-average rate applied is 2.89%.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance of lease liabilities recognised as at 1 April 2019:

	As at 1 April 2019 HK\$'000
Operating lease commitment as at 31 March 2019	5,801
Less: Commitments relating to leases exempt from capitalisation (short-term and other leases with remaining lease term ending on or before 31 March 2020)	(1,083)
Add: Adjustments as a result of a difference treatment of extension options	4,197
Less: Total future interest expenses	(275)
	<hr/>
Present value of remaining lease payments, discounted using the incremental borrowing rates as at 1 April 2019	8,640
	<hr/> <hr/>

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial performance for the nine months ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply for the nine months ended 31 December 2019.

	Amounts reported under HKFRS 16 (unaudited) HK\$'000	Adjustments related to operating leases as if under HKAS 17 instead of HKFRS 16 HK\$'000	Hypothetical amounts for the nine months ended 31 December 2019 as if under HKAS 17 HK\$'000
<b>Financial performance impacted by the adoption of HKFRS 16:</b>			
Loss from operations	(49,655)	(104)	(49,759)
Finance costs	(1,554)	159	(1,395)
	<hr/>	<hr/>	<hr/>
Loss before tax	(51,209)	55	(51,154)
Income tax	(1,095)	(8)	(1,103)
	<hr/>	<hr/>	<hr/>
Loss for the period	(52,304)	47	(52,257)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 4. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Interior design and execution services	14,954	16,500	46,539	51,208
Colour-rendering services	180	200	503	410
Handling services	33	—	33	350
	<u>15,167</u>	<u>16,700</u>	<u>47,075</u>	<u>51,968</u>

#### 5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Interest on lease liabilities	47	—	159	—
Interest on bank loans	464	317	1,395	955
	<u>511</u>	<u>317</u>	<u>1,554</u>	<u>955</u>

#### 6. INCOME TAX

Income tax has been recognised in profit or loss as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Current tax				
Hong Kong Profits Tax	346	627	1,194	2,175
Deferred tax				
Origination and reversal of temporary differences	(36)	(15)	(108)	(98)
Impact of change in tax rate	3	1	9	(17)
	<u>313</u>	<u>613</u>	<u>1,095</u>	<u>2,060</u>

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong is lowered to 8.25%, and profits above that amount is subject to the tax rate of 16.5%.

## 7. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Depreciation of property, plant and equipment	272	392	991	1,082
(Gain)/Loss on disposal of property, plant and equipment	(72)	—	368	—
Depreciation of right-of-use assets*	1,112	—	3,347	—
Rental expenses relating to short-term leases*	42	—	453	—
Operating lease charges for leases previously classified as operating leases under HKAS 17*				
— Land and buildings (including director's quarter)	—	277	—	830
— Office equipment	—	102	—	282
	<b>8,320</b>	<b>8,900</b>	<b>25,982</b>	<b>26,547</b>

\* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 April 2019 to recognise right-of-use asset (except for short-term leases) relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets as at 1 April 2019, the Group as a lessee is required to recognise depreciation of right-of-use-assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Comparative information is not restated.

## 8. EMPLOYEE BENEFIT EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Employee benefit expense (including directors' emoluments):				
Salaries and allowances	7,970	8,490	24,829	25,347
Other benefits (represent rent paid)	58	87	232	261
Retirement benefit scheme contributions	292	323	921	939
	<b>8,320</b>	<b>8,900</b>	<b>25,982</b>	<b>26,547</b>



## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to the owners of the Company for the three months and nine months ended 31 December 2019 are based on the following:

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
<b>(Loss)/Earnings</b>				
(Loss)/Profit attributable to owners of the Company	<b>(56,219)</b>	3,061	<b>(52,304)</b>	11,916
	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) '000	2018 (unaudited) '000 (Restated)	2019 (unaudited) '000	2018 (unaudited) '000 (Restated)
<b>Number of shares</b>				
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	<b>1,005,561</b>	760,000	<b>842,151</b>	760,000

The weighted average number of shares used for the purpose of calculating basic loss per share for the three months and nine months ended 31 December 2019 is determined by reference to Absolute Surge's weighted average number of shares outstanding multiplied by the exchange ratio established in the Reverse Takeover and the weighted average total actual shares of the Company in issue after the completion of the Reverse Takeover.

The weighted average number of shares used for the purpose of calculating basic earnings per share for the comparative periods is determined by reference to Absolute Surge's historical weighted average number of shares outstanding multiplied by the exchange ratio established in the Reverse Takeover.

No diluted (loss)/earnings per share for the periods has been presented as there were no potential dilutive shares outstanding.

## 10. DIVIDENDS

The Board of Directors (the “**Board**”) does not recommend a payment of any dividend by the Company for the nine months ended 31 December 2019.

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Interim dividends	<u>19,000</u>	<u>18,000</u>	<u>19,000</u>	<u>18,000</u>

Prior to the Reverse Takeover, an interim dividend of HK\$19,000,000 was declared in October 2019 and paid to the then equity holder of Absolute Surge in November 2019 (during the nine months ended 31 December 2018, certain subsidiaries of the Group declared interim dividends to their then equity holders amounting to HK\$18,000,000).

The number of shares ranking for dividends and the dividends per shares are not presented as such information is not meaningful for the purpose of this condensed consolidated financial information.

## 11. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
<b>Authorised:</b>			
At 1 April 2019			
Ordinary shares of HK\$0.08 each		31,250,000,000	2,500,000
Capital Reorganisation	(a)	<u>68,750,000,000</u>	<u>(2,490,000)</u>
<b>At 31 December 2019</b>			
<b>Ordinary shares of HK\$0.0001 each</b>		<u><b>100,000,000,000</b></u>	<u><b>10,000</b></u>
<b>Issued and fully paid:</b>			
At 1 April 2019			
Ordinary shares of HK\$0.08 each		3,415,197,762	273,216
Capital Reorganisation	(a)	<u>(3,346,893,807)</u>	<u>(273,209)</u>
Issue of Creditors Shares	(b)	70,331,984	7
Issue of Capitalisation Shares	(c)	94,736,842	9
Issue of shares under Share Offer	(d)	227,679,850	23
Issue of Consideration Shares	(e)	<u>760,000,000</u>	<u>76</u>
<b>At 31 December 2019</b>			
<b>Ordinary shares of HK\$0.0001 each</b>		<u><b>1,221,052,631</b></u>	<u><b>122</b></u>

Notes:

- (a) Pursuant to a special resolution passed on 24 June 2019, the Company completed a capital reorganisation on 22 October 2019, which involved the following:

Every 50 issued shares of the Company of HK\$0.08 each was consolidated into one consolidated share of HK\$4 each ("**Consolidated Share**") in the issued share capital of the Company (the "**Share Consolidation**"). Upon the completion of the Share Consolidation, any fraction in the issued share capital of the Company arising from the Share Consolidation was cancelled; and the nominal value of the issued Consolidated Shares was reduced from HK\$4 to HK\$0.0001 each through a cancellation of the paid-up capital to the extent of HK\$3.9999 each (the "**Capital Reduction**").

Upon the Capital Reduction taking effect, all the authorised but unissued share capital of the Company was cancelled in their entirety and the authorised share capital of the Company was increased to HK\$10,000,000 divided into 100,000,000,000 new shares with nominal value of HK\$0.0001 each.

- (b) On 13 November 2019, 70,331,984 new shares (the "**Creditors Shares**") of HK\$0.0001 each of the Company were issued and allotted for the discharge of the claims under the schemes of arrangement entered into between the Company and certain creditors at the issue price of HK\$0.19 each and resulted in an increase in share premium of approximately HK\$13,356,000.
- (c) On 13 November 2019, 94,736,842 new shares (the "**Capitalisation Shares**") of HK\$0.0001 each of the Company were issued and allotted to Whistle Up at the issue price of HK\$0.19 each for the settlement of the outstanding loan balance of approximately HK\$18,000,000 and resulted in an increase in share premium of approximately HK\$17,991,000.
- (d) On 13 November 2019, 227,679,850 new shares of HK\$0.0001 each of the Company were issued and allotted at the issue price of HK\$0.19 each in relation to the Share Offer (as defined in the Prospectus). After deduction of share issue expenses of approximately HK\$5,928,000, the premium on the issue of shares under the Share Offer amounting to approximately HK\$37,308,000 was credited to the share premium account.
- (e) On 13 November 2019, the Company acquired the entire equity interests in Absolute Surge at the consideration of HK\$144,400,000, which was satisfied by way of issue and allotment of 760,000,000 new shares (the "**Consideration Shares**") of HK\$0.0001 each of the Company to Whistle Up at the issue price of HK\$0.19 each.

## 12. OTHER RESERVES

Other reserves comprise:

- (a) the adjustment of Absolute Surge's legal capital to reflect the Company's legal capital (arising from the Reverse Takeover); and
- (b) the difference between the nominal value of share capital of the subsidiaries of Absolute Surge acquired pursuant to a reorganisation over the nominal value of the share capital of Absolute Surge issued in exchange therefor.

### 13. RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that during the period, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Waldorf Holdings Limited	Controlled by Mr. Norman Chan
H. S. Chan Company Limited	Controlled by a close family member of Mr. Norman Chan

(a) The Group had the following transactions with its related parties during the period:

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Office rental paid to Waldorf Holdings Limited	1,044	1,044	3,132	3,132
Cleaning expense to H. S. Chan Company Limited	3	6	13	16
	<u>1,047</u>	<u>1,050</u>	<u>3,145</u>	<u>3,148</u>

(b) Key management personnel compensation

The emoluments of directors and other key management personnel of the Group during the period are as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000 (Restated)
Salaries and allowances	828	770	2,367	2,309
Other benefits (represent rent paid)	58	87	232	261
Retirement benefit scheme contributions	13	13	40	40
	<u>899</u>	<u>870</u>	<u>2,639</u>	<u>2,610</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Board of the Company announces the unaudited condensed consolidated quarterly results of the Group for the nine months ended 31 December 2019 together with the unaudited corresponding comparative figures. This information should be read in conjunction with the prospectus of the Company dated 4 November 2019 (the “**Prospectus**”).

### **BUSINESS REVIEW**

The Group is principally engaged in provision of interior design and execution services to premises including private residences, corporate offices, service apartments, hotels, residential clubhouses, show flats and sales galleries.

The Group recorded a revenue of approximately HK\$47.1 million for the nine months ended 31 December 2019, representing a decrease of approximately 9.4% from approximately HK\$52.0 million for the nine months ended 31 December 2018.

Profit attributable to the owners of the Company decreased from approximately HK\$11.9 million for the nine months ended 31 December 2018 to loss attributable to the owners of the Company approximately HK\$52.3 million for the nine months ended 31 December 2019. The Directors are of the view that the Group’s net loss was mainly attributable to the decrease in revenue of approximately HK\$4.9 million and the non-recurring listing expense of approximately HK\$57.3 million.

### **FINANCIAL REVIEW**

#### **Revenue**

Revenue decreased from approximately HK\$52.0 million for the nine months ended 31 December 2018 to approximately HK\$47.1 million for the nine months ended 31 December 2019, representing a decrease of approximately HK\$4.9 million or 9.4%. The decrease was mainly attributable to a combination of factors, including (i) decrease in revenue from residential projects; and (ii) an increase in revenue from show flat and sales office projects.

#### **Cost of services**

Cost of services were relatively stable for the nine months ended 31 December 2018 and 2019 amounted to approximately HK\$21.4 million and HK\$21.8 million, respectively, representing a slight increase of approximately HK\$0.4 million or 1.6%.

## **Gross profit and gross profit margin**

For the nine months ended 31 December 2019, gross profit amounted to approximately HK\$25.3 million, which decreased by approximately HK\$5.2 million from approximately HK\$30.5 million for the nine months ended 31 December 2018. The decrease in gross profit was mainly due to the decrease in revenue which decreased by approximately HK\$4.9 million. Gross profit margin decreased from approximately 58.7% for the nine months ended 31 December 2018 to approximately 53.7% for the nine months ended 31 December 2019.

## **Administrative expenses**

Administrative expenses increased slightly from approximately HK\$15.8 million for the nine months ended 31 December 2018 to approximately HK\$16.5 million for the nine months ended 31 December 2019, representing an increase of approximately HK\$0.7 million or 4.9%. The increase was mainly attributable to the increase in salaries and allowances of administrative staff as compared with the same period last year.

## **Listing expense**

The amount of approximately HK\$57.3 million recorded during the nine months ended 31 December 2019 represents the excess of deemed acquisition cost over the fair value of the identifiable assets and liabilities of the Company at date of the completion of the Reverse Takeover. Details of listing expense are set out in Note 2(d) in the section of **“Notes To The Condensed Consolidated Financial Information”**.

## **Finance costs**

Finance costs increased from approximately HK\$1.0 million for the nine months ended 31 December 2018 to approximately HK\$1.6 million for the nine months ended 31 December 2019. The increases in finance costs were mainly attributable to (i) the increase in interest on lease liabilities by approximately HK\$0.1 million during the nine months ended 31 December 2019 and (ii) additional interest expenses incurred during the nine months ended 31 December 2019 on new bank loans of HK\$30 million drawn in September 2019, as compared with the same period last year.

**(Loss)/Profit before tax**

The decrease in profit before tax from approximately HK\$14.0 million for the nine months ended 31 December 2018 to loss before tax approximately HK\$51.2 million for the nine months ended 31 December 2019, representing a significant decrease of approximately HK\$65.2 million. Such decrease was mainly attributable to the decrease in revenue of approximately HK\$4.9 million and the non-recurring listing expense of approximately HK\$57.3 million for the nine months ended 31 December 2019. Taking out the effect of the non-recurring listing expense, profit before tax would be approximately HK\$6.1 million representing a decrease of approximately HK\$7.9 million or 56.4% from approximately HK\$14.0 million for the nine months ended 31 December 2018 and the decrease in profit before tax would be consistent with the decrease in revenue which decreased by approximately HK\$4.9 million.

**Income tax**

Income tax decreased by approximately HK\$1.0 million or 46.8% from approximately HK\$2.1 million for the nine months ended 31 December 2018 to approximately HK\$1.1 million for the nine months ended 31 December 2019. Such decrease was mainly attributable to the decrease in revenue which decreased by approximately HK\$4.9 million.

**(Loss)/Profit and total comprehensive income**

Loss and total comprehensive income for the nine months ended 31 December 2019 decreased by approximately HK\$64.2 million, from profit attributable to owners of the Company for the nine months ended 31 December 2018 approximately HK\$11.9 million to loss attributable to owners of the Company for the nine months ended 31 December 2019 approximately HK\$52.3 million. Such decrease was mainly attributable to the combined effect of the aforementioned items.

**Charge over assets of the Group**

As at 31 December 2019, the Group's banking facilities are secured by the Group's key management insurance policies at fair value of approximately HK\$16.0 million.

## CAPITAL STRUCTURE AND LIQUIDITY

### Capital Reorganisation

The Company originally proposed a capital reorganisation on 9 November 2017, being part of the resumption proposal ("**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, Whistle Up Limited ("**Whistle Up**" or 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 circular, the Company proposed to implement the amended capital reorganisation (the "**Capital Reorganisation**") on 16 May 2019 as follows:

- (i) the Share Premium Cancellation: the entire amount in the sum of approximately HK\$3,661,406,000 standing to the credit of the share premium account of the Company would be cancelled to set off against part of the accumulated loss of the Company (the "**Share Premium Cancellation**");
- (ii) Share Consolidation: every fifty issued Shares of HK\$0.08 each would be consolidated into one consolidated share of HK\$4.0 each (the "**Consolidated Share(s)**") in the issued share capital of the Company (the "**Share Consolidation**"), so there would be a total of 68,303,955 Consolidated Shares in issue upon Share Consolidation taking effect;
- (iii) Capital Reduction: upon Share Consolidation taking effect, (a) any fractions of Shares arising out of the Share Consolidation would be cancelled; and (b) the nominal value of the issued Consolidated Shares would be reduced from HK\$4.0 to HK\$0.0001 each (the "**New Share(s)**") by cancelling the paid-up capital to the extent of HK\$3.9999 each, and the total credit of approximately HK\$273,209,000 arising therefrom would be applied to further set off the accumulated loss of the Company (the "**Capital Reduction**");
- (iv) Unissued Share Capital Cancellation: upon the Capital Reduction taking effect, all the authorised but unissued share capital of the Company would be cancelled in their entirety (the "**Unissued Share Capital Cancellation**"); and
- (v) Authorised Share Capital Increase: upon the Unissued Share Capital Cancellation taking effect, the authorised share capital of the Company would be increased to HK\$10,000,000 divided into 100,000,000,000 New Shares (the "**Authorised Share Capital Increase**").



The Capital Reorganisation was approved by the shareholders of the Company (the "**Shareholders**") as special resolutions by way of poll at the extraordinary general meeting (the "**EGM**") of the Company held on 24 June 2019 and it became effective on 22 October 2019.

For details, please refer to the announcements of the Company dated 9 November 2017, 14 November 2017, 16 May 2019, 24 June 2019, 23 September 2019 and 22 October 2019 and the circular of the Company dated 29 May 2019 (the "**Circular**").

### **Share Offer**

The Company originally proposed an open offer on 9 November 2017 being part of the 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 Resumption Proposal with a view to addressing the concerns raised by the regulators during the vetting process of the circular, the Company proposed to offer a total of 227,679,850 offer shares ("**Offer Shares**") for subscription at the offer price of HK\$0.19 per Offer Share ("**Share Offer**") on 16 May 2019. Half of the Offer Shares were available for subscription by the members of the public and another half of the Offer Shares ("**Reserved Shares**") were 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 was approved by the Shareholders as special resolutions by way of poll at the EGM and allotment results of the Share Offer were announced on 13 November 2019.

For details, please refer to the announcements of the Company dated 9 November 2017, 14 November 2017, 16 May 2019, 24 June 2019 and 13 November 2019, the Circular and the Prospectus.

### **LITIGATION**

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 (the "**Loan**").

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 (the "**High Court**") under Action Number 2631 of 2017 against CAAL Capital Company Limited ("**CAAL**") as the first defendant and the Company as the second 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 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 the Loan 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 first defendant and the second defendant, respectively. On 28 June 2018, CAAL filed its defence for the consolidated action.

The Company does not dispute the existence of the Loan. The only outstanding issue in the consolidated action is whether Kesterion or CAAL is the correct creditor of the Company and the Company's position has remained neutral in this regard.

Pursuant to the Order on Petition dated 19 September 2019 under HCMP1093/2018, the Hong Kong Scheme between the Company and its creditors was approved by the High Court. Under the Hong Kong Scheme, all claims against the Company should have been discharged and released in full.

On 24 January 2020, Kesterion, CAAL and the Company (collectively the "**Parties**") entered into a consent summons (through their respective legal representatives) and made an application by consent that the creditor shares derived from the Loan together with all entitlements, dividends, interest and rights thereof and therein (if any) be allocated to CAAL absolutely, all Parties shall be discharged from all liabilities (if any) towards each other in respect of the consolidated action and the consolidated action be discontinued against CAAL and the Company on condition that Kesterion be precluded from bringing the same and/or substantially the same cause of action of the consolidated action, and there be no order as to costs of such application and of the consolidated action.

The Company was not involved in the negotiation between Kesterion and CAAL with regard to the entitlement of the Loan.

Once the consent summons is approved by the High Court, the consolidated action will be discontinued.

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

Save as discussed in the above sections, during the nine months ended 31 December 2019, no member of the Group after completion of the Reverse Takeover 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 received a letter dated 2 December 2016 from the Stock Exchange (the “**Letter**”) considered that the Company 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 “**Shares**”). The Stock Exchange therefore decided to suspend trading in the 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 served 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 had 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 had 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 had 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 (the “**Restructuring Framework Agreement**”).

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 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 of HK\$0.19 per Offer Share which would be fully underwritten by the underwriter pursuant to the underwriting agreement:
  - Public Offer: a total of 113,839,925 Offer Shares for subscription by members of the public; and
  - Preferential Offering: a total of 113,839,925 Offer Shares for subscription by the qualifying shareholders on assured basis;

- (iii) the Creditors Schemes: the creditors with the claims admitted under the schemes of arrangement to be entered into between the Company and its creditors pursuant to Sections 666 to 675 of the Companies Ordinance of Hong Kong (Cap. 622 of the Laws of Hong Kong) with, or subject to, any modification, addition or conditions approved or imposed by the High Court of Hong Kong (the “**Hong Kong Scheme**”) and Section 86 of the Companies Law (2018 Revision) of the Cayman Islands with, or subject to, any modification, addition or conditions approved or imposed by the Grand Court of the Cayman Islands (the “**Cayman Scheme**”, together with the Hong Kong Scheme, 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 (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 Absolute Surge Limited (the “**Acquisition**”) for the consideration of approximately HK\$144.4 million which will be satisfied by way of allotment and issue of 760,000,000 New Shares (the “**Consideration Shares**”) (representing approximately 62.2% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares, the Creditors Shares, the Capitalisation Shares (as defined below) and the Consideration Shares (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 (the “**Investor Loan**”) while up to approximately HK\$18 million of which shall be settled by the allotment and issue of up to 94,736,842 New Shares (the “**Capitalisation Share(s)**”) (representing approximately 7.8% of the Enlarged Issued Share Capital) at the issue price of HK\$0.19 each (the “**Investor Loan Capitalisation**”) 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 of the Acquisition, the Share Offer, the Investor Loan Capitalisation and the Creditors Schemes (the “**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 and 13 September 2019, the Company re-submitted new listing applications, and on 24 May 2019 and 29 October 2019, the Stock Exchange granted the approval-in-principle in relation to the new listing application respectively. Also, the major components as mentioned in (i)-(v) above were approved by the shareholders by way of poll at the EGM.

The Capital Reorganisation became effective on 22 October 2019.

On 13 November 2019, the Share Offer, the Acquisition, the Investor Loan Capitalisation and the Creditors Schemes were completed and trading of New Shares resumed at 9:00 a.m. on 14 November 2019.

For details, please refer to the announcements of the Company dated 2 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, 24 June 2019, 1 August 2019, 12 August 2019, 5 September 2019, 23 September 2019, 22 October 2019, 31 October 2019 and 13 November 2019, the Circular and the Prospectus.

## **PROSPECT**

The Group's goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the interior design industry in Hong Kong. The Directors of the Company are of the view that the Group's capability to understand customers' requirements and transform far-fetched concepts into visionary solutions that embrace functionality and aesthetics has gained trust and appreciation from customers and enabled the Group to be one of the reputable players in the interior design industry in Hong Kong.

Hong Kong's primary residential market remained relatively resilient in recent months surrounded by various social incidents. Despite weakening market sentiment, the Company is of the view that the Hong Kong residential market is likely to be supported by relatively low mortgage rates and continuous end-user demand.

The Group will continue to capitalise on opportunities by leveraging the Group's competitive strengths and implementing the following strategies: (i) maintain and strengthen market position in Hong Kong; (ii) enhance brand recognition and strengthen marketing efforts; and (iii) continue to recruit talents and enhance internal training to support future growth.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding <sup>(1)</sup>
Mr. Chan Norman Enrique ("Mr. Norman Chan") <sup>(2)</sup>	Interest of controlled corporation	854,736,842	70.0%

Notes:

- (1) The percentage is calculated on the basis of 1,221,052,631 Shares in issue as at 31 December 2019.
- (2) These Shares are held by Whistle Up, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 96% by Mr. Norman Chan, 3% by Mr. Lee Alex Kam-fai and 1% by Ms. Kwok Lai Yi, Susanna ("Ms. Susanna Kwok"). Therefore, Mr. Norman Chan is deemed to be interested in all the Shares held by Whistle Up under the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company nor their associates have any interests or short positions in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that are required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 December 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 positions**

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding <sup>(1)</sup>
Whistle Up	Beneficial owner	854,736,842	70.0%
Ms. Susanna Kwok <sup>(2)</sup>	Interest of spouse	854,736,842	70.0%

Notes:

- (1) The percentage is calculated on the basis of 1,221,052,631 Shares in issue as at 31 December 2019.
- (2) Ms. Susanna Kwok is the spouse of Mr. Norman Chan. Ms. Susanna Kwok is deemed to be interested in all the Shares in which Mr. Norman Chan is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2019, the Directors and the chief executive of the Company are not aware of any other person who had an interest or a short position in the Shares or underlying Shares of the Company which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or are recorded in the register required to be kept by the Company under section 336 of the SFO.

### **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 which will expire on 29 July 2022.



Under the Share Option Scheme, the Directors may grant options to (i) all full-time employees, directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group; (ii) substantial shareholders of each member of the Group; (iii) associates of the directors and substantial shareholders of any member of the Group; (iv) trustee of any trust pre-approved by the Board; and (v) any advisor (professional or otherwise), consultant, distributor, supplier, agent, customer, joint venture partner, service provider to the Group, whom the Board considers, in its sole discretion, has contributed or contributes to the Group. The Share Option Scheme as valid and effective for a period of ten years from the adoption date.

Subject to the GEM Listing Rules, the overall limit on the number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the relevant class of Shares in issue from time to time. Subject to the limit above, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme or the date of refreshment of such limit. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in these limits being exceeded. Subject to the limits mentioned above, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme is 5,691,996 Shares, representing approximately 0.47% of the issued share capital of the Company as at 31 December 2019. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Share Option Scheme limit.

The number of Shares in respect of which options may be granted to any individual in any twelve-month period 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 respective associates, are subject to approval in advance by the independent non-executive Directors (excluding an independent non-executive Director who is the grantee of the option). 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 aggregate in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the 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. All connected persons of the Company must abstain from voting, except that any connected person may vote against the resolutions provided that his intention to do so has been stated in the circular to the shareholders of the Company seeking their approval.

Options granted must be taken up within thirty days from the date of the offer of the 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 before it can be exercised is required. The exercise price, which is determined by the Board at its absolute discretion, shall be no less than the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share at the time of exercise of an option.

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

All the share options granted under the Share Option Scheme had lapsed during the year ended 31 March 2017. There were no outstanding share options during the nine months ended 31 December 2019, and no share option had been granted for the nine months ended 31 December 2019.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

Save as disclosed in the section "**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations**" above, at no time during the nine months ended 31 December 2019 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.

## **COMPETING INTERESTS**

During the nine months ended 31 December 2019, none of the Directors or the substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) was interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

Save as disclosed in the Circular, the announcement of the Company dated 13 November 2019 and the completion of the Reverse Takeover as set out in Note 2 in the section of “**Notes To The Condensed Consolidated Financial Information**”, the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the nine months ended 31 December 2019.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the nine months ended 31 December 2019 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the nine months ended 31 December 2019.

## **CORPORATE GOVERNANCE PRACTICES**

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company’s corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 15 of the GEM Listing Rules. The Company has adopted the CG Code to ensure that the Group’s business activities and decision-making processes are regulated in a proper and prudent manner.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Norman Chan is acting as the chairman and chief executive officer. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board considers the deviation from code provision A.2.1 of the CG Code to be appropriate in such circumstance.

The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Throughout the nine months ended 31 December 2019 and up to the date of this report, other than the deviation from code provision A.2.1, the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

### **CHANGE OF AUDITOR**

Elite Partners CPA Limited (“**Elite Partners**”) have resigned as the auditor of the Group with effect from 13 January 2020 and with the recommendation of the Audit Committee, RSM Hong Kong have been appointed as the new auditor of the Group with effect from 13 January 2020 to fill the casual vacancy following the resignation of Elite Partners and to hold office until the conclusion of the next annual general meeting of the Company.

### **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed herein, the Directors are not aware of any significant event which had material effect on the Group’s operating financial performance subsequent to 31 December 2019.

### **DIVIDENDS**

The Board does not recommend a payment of any dividend by the Company for the nine months ended 31 December 2019.

Prior to the Reverse Takeover, an interim dividend of HK\$19,000,000 was declared in October 2019 and paid to the then equity holder of Absolute Surge in November 2019 (during the nine months ended 31 December 2018, certain subsidiaries of the Group declared interim dividends to their then equity holders amounting to HK\$18,000,000).

### **INTEREST OF THE COMPLIANCE ADVISER**

As notified by Messis Capital Limited (“**Messis Capital**”), the Company’s compliance adviser, save for the compliance adviser agreement entered into between the Company and Messis Capital dated 31 October 2019, neither Messis Capital, its close associates (as defined in the GEM Listing Rules) nor any of its directors, employees has or may have any interest in the Group or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2019.

### **AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS**

The Group has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are to oversee the relationship with Company’s auditor, review of the Company’s financial information and oversee the Company’s financial reporting system, risk management and internal control system.

The Audit Committee comprises of three independent non-executive directors, namely Mr. Chi Chi Hung Kenneth, Mr. Kwong U Hoi Andrew and Mr. Wong Jonathan. The chairman of the Audit Committee is Mr. Chi Chi Hung Kenneth, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules to serve as the chairman of the Audit Committee.

The third quarterly results of the Group for the nine months ended 31 December 2019 have not been audited. The Audit Committee has reviewed and approved the unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2019 and is of the opinion that the preparation of such information complied with the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The Company's independent auditor, RSM Hong Kong, has reviewed the unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2019 in accordance with Hong Kong Standard on Review Engagements 2410 **"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"**.

By order of the Board  
**Union Asia Enterprise Holdings Limited**  
**Chan Norman Enrique**  
*Executive Director*

Hong Kong, 11 February 2020

*As at the date of this report, the Board comprised two executive Directors, Mr. Chan Norman Enrique and Mr. Lee Alex Kam-fai and three independent non-executive Directors, Mr. Kwong U Hoi Andrew, Mr. Wong Jonathan and Mr. Chi Chi Hung Kenneth.*