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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHT

For the year ended 31 March 2018, the Group recorded a revenue of approximately HK$105,665,000 and loss for the year of approximately HK$76,092,000.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2018.

The Board of Directors (the "Board") of Union Asia Enterprise Holdings Ltd (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 March 2018 together with comparative figures for the year ended 31 March 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Turnover	4	**122,303**	147,643
Revenue	4	**105,665**	84,730
Cost of sales		**(99,917)**	(68,617)
Gross profit		**5,748**	16,113
Administrative expenses		**(31,072)**	(40,045)
Other income		**129**	19
Other gains and losses	5	**1,555**	80,296
(Loss)/profit from operations		**(23,640)**	56,383
Finance costs	6	**(54,398)**	(50,580)
(Loss)/profit before tax		**(78,038)**	5,803
Income tax credit/(expense)	7	**1,946**	(3,117)
(Loss)/profit for the year	8	**(76,092)**	2,686

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Other comprehensive income after tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**5,049**	577
Release upon impairment of available-for-sales financial assets		**–**	(1,446)
Other comprehensive income/(expenses) for the year, net of tax		**5,049**	(869)
Total comprehensive (expenses)/income for the year		**(71,043)**	1,817
(Loss)/profit for the year attributable to			
– Owners of the Company		**(76,092)**	2,686
– Non-controlling interests		**–**	–
(Loss)/profit for the year attributable to owners of the Company		**(76,092)**	2,686
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(71,043)**	1,819
Non-controlling interests		**–**	(2)
		(71,043)	1,817
(Loss)/earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)	10		
Basic		**(0.02)**	0.09
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	**As at 31 March 2018** ***HK$'000***	As at 31 March 2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**22,497**	24,234
Investment properties		**22,674**	28,406
Goodwill		**10,137**	10,137
Total non-current assets		**55,308**	62,777
Current assets			
Inventories		**2,674**	3,662
Trade and other receivables	11	**40,029**	40,088
Financial assets at fair value through profit or loss		**21,344**	29,239
Bank and cash balances		**2,856**	2,369
Total current assets		**66,903**	75,358
TOTAL ASSETS		**122,211**	138,135

	Notes	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000
Current liabilities			
Trade and other payables	12	**72,149**	77,157
Bank and other borrowings	13	**113,558**	13,342
Current tax liabilities		**848**	368
Total current liabilities		**186,555**	90,867
NET CURRENT LIABILITIES		**(119,652)**	(15,509)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(64,344)**	47,268
Non-current liabilities			
Bank and other borrowings	13	**–**	89,526
Promissory notes	14	**27,737**	24,478
Convertible bonds	15	**293,313**	256,774
Corporate bonds		**22,000**	20,806
Deferred tax liabilities		**2,637**	4,461
Total non-current liabilities		**345,687**	396,045
NET LIABILITIES		**(410,031)**	(348,777)
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**273,216**	273,216
Reserves		**(682,594)**	(611,551)
		(409,378)	(338,335)
Non-controlling interests		**(653)**	(10,442)
Total equity		**(410,031)**	(348,777)

1. BASIS OF PREPARATION

Suspension of trading in shares of the Company

On 17 March 2017, the Stock Exchange notified the Company that the GEM Listing Committee, having considered all the submissions (both written and oral) made by the Company and the Listing Department of the Stock Exchange, the GEM Listing 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 Shares. The GEM Listing Committee therefore decided to uphold the decision to suspend trading in the Shares under Rules 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.

Accordingly, trading in the shares of the Company has been suspended since 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 GEM Listing Committee (i.e. 17 September 2017).

On 15 September 2017, the Company submitted the resumption proposal to the Stock Exchange and entered into the restructuring framework agreement (the "Restructuring Framework Agreement") with the investor (the "Investor") to set out the terms of the proposed restructuring (the "Proposed Restructuring") comprising (i) the capital reorganisation (the "Capital Reorganisation"); (ii) the creditors schemes (the "Creditors Schemes"); (iii) the open offer (the "Open Offer"); and (iv) the acquisition (the "Acquisition").

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

As additional time was required for the finalisation of the accountants' report of the target company and its subsidiaries (collectively referred to as the "**Target Group**") for the track record period and the due diligence work to be carried out for the new listing application relating to the Resumption Proposal, the Company had applied for, and the Stock Exchange granted on 19 January 2018, an extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 March 2018.

Subsequently, as additional time is required for the finalisation of the accountants' report of the Target Group for the three financial years ended 31 March 2018, the Company had applied for, and the Stock Exchange granted on 29 March 2018, a further extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 June 2018. If the Company fails to submit a new listing application by 29 June 2018, or the transactions proposed in the Resumption Proposal fail to proceed with for any reasons, the Stock Exchange will proceed with the cancelation of listing of the shares on the Stock Exchange.

Proposed restructuring of the Group

On 15 September 2017, the Company entered into the Restructuring Framework Agreement (as supplemented and amended on 9 November 2017) with the Investor to set out the terms of the proposed restructuring which involves (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; and (iv) the Acquisition.

Pursuant to the Restructuring Framework Agreement, the Investor shall provide or shall procure a party to provide the investor loan to the Company in the amount up to HK$18,000,000 to finance the professional fees and all costs and expenses of the Company in connection with the Acquisition. In addition, the Company also agreed to procure the transaction loan in a sufficient amount on terms approved by the Investor for the purpose of financing the professional fees and all costs and expenses of the Company in connection with the preparation of the Resumption Proposal including all the transactions contemplated thereunder, except for the Acquisition and the work relating to the financial information of the Target Group.

Under the Restructuring Framework Agreement, the Company will make an application to the High Court of Hong Kong and the Grand Court of the Cayman Islands seeking sanction to repay the investor loan and the transaction loan in full out of the proceeds of the Open Offer.

Details of (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; and (iv) the Acquisition are set out below:

(i) Capital Reorganisation

Pursuant to the Restructuring Framework Agreement, the Company proposes to implement, subject to the approval by the shareholders, the Capital Reorganisation comprising the share premium cancellation, share consolidation, capital reduction, unissued share capital cancellation and authorised share capital increase. Before the Capital Reorganisation, the authorised share capital of the Company is HK$2,500,000,000 divided into 31,250,000,000,000 shares of HK$0.08 each, and the issued share capital of the Company is HK$273,216,000 divided into 3,415,197,762,000 shares of HK$0.08 each. Immediately after completion of the Capital Reorganisation, the authorised share capital of the Company will be HK$100,000,000 divided into 100,000,000,000 consolidated shares of HK$4.00 each and the issued share capital of the Company will be reduced to HK$$273,216,000 divided into 68,303,955,000 consolidated shares of HK$4.00 each. The consolidated shares after Capital Reorganisation will be identical and rank pari passu in all respects with each other.

(ii) Creditors Schemes

As part of the Proposed Restructuring, the Company proposes to transfer all subsidiaries of the Company (the "Scheme Companies") to the scheme administrators (the "Scheme Administrators") or a company to be incorporated and held and controlled by the Scheme Administrators, which will be independent third parties. All the issued shares of the Scheme Companies will be transferred to a nominee of the scheme administrators upon the Creditors Schemes having become effective at the nominal value for the benefit of the creditors and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Scheme Companies shall be released and discharged in full upon such transfer.

Upon the Creditors Schemes becoming effective, the Scheme Administrators will take steps to adjudicate the indebtedness of the Company and to distribute the scheme assets in settlement of the adjudicated indebtedness. The Scheme Administrators will also take appropriate steps to realise and recover the assets of the Scheme Companies and ascertain and settle the liabilities of the Scheme Companies from assets recovered and proceeds from realization of assets of the Scheme Companies. To save any extra cost and resources in pursuing any claims against the Scheme Companies, all of the rights, causes of action or claims of the Company against the Scheme Companies in respect of transactions or events incurred up to the date the Creditors Schemes becoming effective will also be assigned by and transferred and/or novated (as the case may be) from the Company to such nominee of the Scheme Administrators. The Company will receive payment out of the realisation and/or recovery of any assets of the Scheme Companies in settlement of any amounts due and/or claims against such Scheme Companies. Proceeds from realisation of assets of the Scheme Companies after settlement of liabilities of the Scheme Companies and any surplus assets of the Scheme Companies will be available to the creditors under the Creditors Schemes and excess amount, if any, under the Creditors Schemes after payment of all costs and settlement of all liabilities due to the creditors will be returned to the Company.

Upon the Creditors Schemes having become effective, all the claims and other liabilities of the Company will be discharged and released in full, in return, under the Creditors Schemes, the creditors with the claims admitted under the Creditors Schemes would be entitled to receive the consideration (after the costs in connection with the administration and implementation of the Creditors Schemes and subject to any reserve which the Scheme Administrators may make) proportionally on a pari passu basis based on their respective amount of the claims admitted under the Creditors Schemes.

(iii) Open Offer

As part of the Proposed Restructuring, the Company proposes the Open Offer on the basis of nineteen (19) offer shares for every one (1) new share held by the qualifying shareholders on the open offer record date. A total of 1,297,775,150 offer shares will be allotted and issued by the Company to the qualifying shareholders and/or the underwriter at the open offer price of HK$0.19 for each offer share.

(iv) Acquisition

Under the Restructuring Framework Agreement, the Company will acquire from the Investor the sale share for the consideration of approximately HK$423.5 million, which will be satisfied by way of issue and allotment of 2,228,865,908 consideration shares at the consideration price of HK$0.19 each. The consideration shares represents approximately 62.0% of the total issued share capital of the Company upon completion.

The Target Group is principally engaged in provision of interior design services for commercial and residential properties, as well as fallacies and show flats for local property developers in Hong Kong.

As all of the percentage ratios in respect of the Acquisition under Rule 19.07 of the GEM Listing Rules exceed 100% and the issue of the consideration shares will give rise to change in control of the Company, the Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 19 of the GEM Listing Rules. In addition, as Mr. Norman Chan, being one of the ultimate beneficial owners of the Target Company, will be proposed to be a Director, the Acquisition also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the GEM Listing Rules and approval of the new listing application of the Company by the GEM Listing Committee. Such new listing application is required to comply with all the requirements under the GEM Listing Rules, in particular the requirements under Chapters 11 and 12 of the GEM Listing Rules.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$76,092,000 (2017: profit of HK$2,686,000) for the year ended 31 March 2018 and as at that date, the Group had net current liabilities of approximately HK$119,652,000 (2017: HK$15,509,000) and net liabilities of approximately HK$410,031,000 (2017: HK$348,777,000), respectively.

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

As the Company is preparing the resumption proposal, the successful implementation of which will effect, including but not limited to, the Proposed Restructuring comprising (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; and (iv) the Acquisition. The directors of the Company are of the view that the major procedures of the Proposed Restructuring will eventually be agreed upon by the Company's creditors, the investor, the management of the Target Group, the Company's shareholders and any other parties concerned, and will be successfully implemented. Besides, the directors of the Company have considered that the Group obtained additional financing facilities from an independent third party of approximately HK$35,000,000 subsequent to the financial year end. Accordingly, the directors of the Company have prepared the 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, to provide for any further liabilities which might arise.

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

(a) Application of new and revised HKFRs

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendment to HKAS 7	*Disclosure Initiative;*
Amendment to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised losses; and*
HKFRSs (Amendment)	*Annual Improvements to HKFRSs, 2014-2016 Cycle*

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies.

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

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014–2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 For those amendments that will become effective for annual periods beginning on or after 1 January 2018

3. SEGMENT INFORMATION

The Group has six reportable segments during the year as follows:

Beverages – Trading of bottled mineral water and tea products

Metals – Trading of stainless steel and scrap metals including aluminum, copper

Household products – Trading of daily essentials including baby products and skincare products

Nephrite – Trading of nephrite

Charter – Rental income on rent of vessel

Securities – Investment and trading of listed securities

Segment profits or losses represents profit or loss from the respective reportable segments less direct operating costs attributable to the respective reportable but does not include taxation and finance costs.

Segment assets exclude investment properties and unallocated corporate assets.

Segment liabilities exclude current tax liabilities, deferred tax liabilities, bank and other borrowings, promissory notes, convertible bonds, corporate bonds and unallocated corporate liabilities.

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

	Metals	Beverages	Household products	Nephrite	Charter	Securities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2018							
Revenue from external customers	**40,791**	**51**	**56,502**	**6,641**	**1,680**	**–**	**105,665**
Segment profit/(loss)	**1,157**	**(2,525)**	**206**	**(1,235)**	**610**	**7,690**	**5,903**
Depreciation and amortisation	**1**	**709**	**–**	**–**	**1,000**	**–**	**1,710**
Allowance for obsolete inventories	**–**	**2,190**	**–**	**–**	**–**	**–**	**2,190**
As at 31 March 2018							
Segment assets	**14,596**	**9,364**	**1,975**	**7,439**	**18,753**	**21,344**	**73,471**
Segment liabilities	**4,331**	**57,958**	**94**	**3,816**	**108**	**–**	**66,307**

	Metals	Beverages	Household products	Nephrite	Charter	Securities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2017							
Revenue from external customers	26,140	1,911	39,907	15,761	1,011	–	84,730
Segment profit	1,671	363	327	287	1,175	1,476	5,299
Depreciation and amortisation	330	1,071	–	–	251	–	1,652
Allowance for doubtful debts	–	–	–	6,985	–	–	6,985
Allowance for obsolete inventories	–	–	–	3,212	–	–	3,212
Additions to segment non-current assets	78	7,913	–	–	15,046	–	23,037
As at 31 March 2017							
Segment assets	13,555	18,540	3,095	4,661	14,795	29,239	83,885
Segment liabilities	10,865	62,082	–	30	108	–	73,085

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

	2018	2017
	HK$'000	*HK$'000*
Profit or loss		
Reportable segment profit before taxation	**5,903**	5,299
Other income	**129**	19
Other (losses)/gains	**(3,952)**	88,446
Finance costs	**(54,398)**	(50,580)
Administrative expenses	**(25,720)**	(37,381)
Consolidated (loss)/profit before taxation	**(78,038)**	5,803
Assets		
Reportable segment assets	**73,471**	83,885
Investment properties	**22,674**	28,406
Unallocated corporate assets	**26,066**	25,844
Consolidated total assets	**122,211**	138,135

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**66,307**	73,085
Current tax liabilities	**848**	368
Deferred tax liabilities	**2,637**	4,461
Bank and other borrowings	**113,558**	102,868
Promissory notes	**27,737**	24,478
Convertible bonds	**293,313**	256,774
Unallocated corporate liabilities	**27,842**	24,878
Consolidated total liabilities	**532,242**	486,912

Geographical information:

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

	Revenue		Non-current assets	
	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	**82,894**	61,196	**22,482**	23,851
PRC except Hong Kong	**3,389**	21,539	**32,826**	35,942
Singapore	**–**	105	**–**	1,513
Others	**19,382**	1,890	**–**	1,471
Consolidated total	**105,665**	84,730	**55,308**	62,777

Revenue from major customers:

The following is an analysis of revenue from customers contributing over 10% of total revenue of the Group:

	2018	2017
	HK$'000	*HK$'000*
Household products:		
Customer A	**56,502**	38,654
Metals:		
Customer B	**12,449**	–

Revenue derived from Customer B did not contribute over 10% of revenue of the Group during the year ended 31 March 2017.

4. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Charter income from vessel	**1,680**	1,011
Sales of beverages	**51**	2,434
Sales of household products	**56,502**	39,907
Sales of metals	**40,791**	26,140
Sales of nephrite	**6,641**	15,238
Revenue	**105,665**	84,730
Proceeds from sale of listed securities	**16,638**	62,913
Turnover	**122,303**	147,643

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Gain on redemption of convertible bonds liabilities	**–**	13,752
Fair value gain/(loss) on financial assets at fair value through profit or loss	**12,502**	(3,869)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(4,805)**	5,916
Loss on deconsolidated subsidiaries	**–**	(6,151)
Fair value (loss)/gain on investment properties	**(8,320)**	10,998
Interest income arising from litigation	**2,682**	–
Reversal of allowances for trade and other receivables	**–**	77,520
Loss on disposal of property, plant and equipment	**–**	(2,816)
Allowance for doubtful debts	**–**	(6,985)
Allowance for obsolete inventories	**(2,190)**	(3,212)
Impairment of available for sale financial assets	**–**	(5,026)
Impairment loss on intangible assets	**–**	(313)
Others	**1,686**	482
	1,555	80,296

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance lease charges	**–**	70
Interest on bank loans and overdrafts	**31**	1,224
Interest on other borrowings	**5,578**	4,283
Interest on convertible bonds	**44,338**	41,702
Interest on corporate bonds	**1,193**	1,012
Interest on promissory note	**3,258**	2,289
	54,398	50,580

7. INCOME TAX CREDIT/(EXPENSE)

Income tax has been recognised in consolidated statement of profit or loss and other comprehensive income as following:

	2018	2017
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**(134)**	(368)
Deferred tax	**2,080**	(2,749)
	1,946	(3,117)

Entities incorporated in the countries outside Hong Kong are subject to income tax rates of 16.5% to 30% (2017: 16.5% to 30%) prevailing in the countries in which such entities operate, based on existing legislation, interpretation and practices in respect thereof.

8. (LOSS)/PROFIT FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation	**1,710**	2,016
Operating lease charges in respect of land and buildings	**867**	2,354
Auditor's remuneration	**450**	650
Cost of inventories sold	**99,917**	68,617

9. DIVIDENDS

The directors do not recommend the payment of any dividend (2017: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share	**(76,092)**	2,686

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**3,415,198,000**	2,892,062,000

The computation of diluted (loss)/earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in (a decrease)/ an increase in (loss)/earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**13,945**	124,494
Allowance for doubtful debts	**–**	(107,162)
Trade receivables, net	**13,945**	17,332
Rental and other deposits	**1,797**	993
Prepayments and other receivables	**24,287**	21,763
	40,029	40,088

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. The credit terms generally range from 1 to 180 days (2017: 1 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**7,694**	8,916
91 to 180 days	**2,420**	7,152
Over 180 days	**3,831**	1,264
	13,945	17,332

As at 31 March 2018, an aggregate allowance for doubtful debts was approximately Nil (2017: HK$107,162,000).

Reconciliation of allowance for doubtful debts:

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**107,162**	100,185
Allowance for the year	**–**	6,985
Written off	**(107,162)**	–
Exchange differences	**–**	(8)
At 31 March	**–**	107,162

As at 31 March 2018, trade receivables of approximately HK$3,831,000 (2017: HK$1,264,000) were past due but not impaired. The balance as at 31 March 2018 related to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 90 days overdue	**3,831**	1,264

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**37,805**	37,200
Accruals and other payables	**34,344**	39,957
	72,149	77,157

The aging analysis of the trade payables, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**1,338**	–
91 to 180 days	**1,621**	–
Over 180 days	**34,846**	37,200
	37,805	37,200

13. BANK AND OTHER BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank loans	**12,306**	11,689
Bank overdrafts	**–**	60
Loans from independent third parties	**101,252**	91,119
	113,558	102,868

The borrowings are repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**113,558**	13,342
More than one year, but not exceeding two years	**–**	588
More than two years	**–**	88,938
	113,558	102,868
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(113,558)**	(13,342)
Amount due for settlement after 12 months	**–**	89,526

As at 31 March 2018, including in the loan from independent third parties, there was approximately HK$93,045,000 which related to the claim under the Writs regarding to the assignment between Kesterion Investments Limited ("Kesterion") and CAAL Capital Company Limited ("CAAL"). For details, please refer to the "Litigation" section under "Management Discussion and Analysis".

14. PROMISSORY NOTES

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**24,478**	–
Promissory notes issued	**–**	22,189
Imputed interest expenses	**3,829**	2,289
Coupon payment	**(570)**	–
	27,737	24,478
Less: Amount due within one year shown under current liabilities	**–**	–
Non-current liabilities	**27,737**	24,478

15. CONVERTIBLE BONDS

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Liability component of convertible bonds issued on 12 May 2015	**293,313**	256,774

Convertible bonds issued on 12 May 2015

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

(i) the terms of convertible bonds issued on 18 December 2008 (the "Old CB") would be amended to grant the Company a right to redeem all the outstanding Old CB at a redemption price of USD140,000,000 (equivalent to approximately HK$1,092,000,000);

(ii) the Company would exercise such redemption right; and

(iii) in satisfaction and cancellation of the redemption amount payable under the amended Old CB following such redemption, the Company will issue the new bonds (the "New CB") to Kesterion. The New CB is a five-year 2.0% convertible bonds in principal amount of USD140,000,000. The coupon is payable in arrear semi-annually from the issue date.

The holder of the New CB has the right to convert the New CB into the ordinary shares of the Company at a fixed conversion price of HK$0.5 per share, subject to any anti- dilution adjustments, at any time before the maturity date. During the year ended 31 March 2017, the conversion price of the New CB was adjusted to HK$1.73 per share upon the completion of the share consolidation and rights issue.

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

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

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

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

	HK$'000
Liability component at issue date	557,330
Derivative component at issue date	–
Equity component at issue date	396,028
Fair value of the New CB at issue date	953,358

The movements of liability component and principal amount of the New CB are as follows:

	Liability component *HK$'000*	**Principal amount** *HK$'000*
At 1 April 2016	361,145	624,000
Early redemption	(135,933)	(234,000)
Coupon payment	(10,140)	–
Imputed interest expenses	41,702	–
At 31 March 2017	256,774	390,000
Coupon payment	(7,800)	–
Imputed interest expenses	44,339	–
At 31 March 2018	293,313	390,000

On 18 May 2016, the Company early redeemed a portion of the New CB with principal amount of USD30,000,000 (equivalent to HK$234,000,000) at a cash consideration of HK$229,320,000.

At the date of redemption, the aggregate carrying amount of the New CB with principal amount of USD30,000,000 is HK$220,796,000 of which approximately HK$135,933,000 and HK$84,863,000 represented the carrying amounts of liability component and equity component respectively. The fair value of the liability component of the New CB was approximately HK$122,181,000. Accordingly, a gain on early redemption of convertible bonds liabilities of HK$13,752,000 was recognised in profit or loss and as amount of approximately HK$22,276,000 was recognised directly in accumulated loss in the consolidated statement of changes in equity.

The interest charged for the year is calculated by applying an effective interest rate of 17.6% (2017: 17.6%) per annum to the liability component.

The fair value of derivative component of the New CB was insignificant at issue date at 31 March 2017 and 31 March 2018.

16. SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
		HK$'000		*HK$'000*
Ordinary share of HK$0.01 each at 1 April 2016	250,000,000,000	2,500,000	2,529,776,120	25,298
Consolidation of shares *(note (a))*	(218,750,000,000)	–	(2,213,554,105)	–
Issue of rights shares *(note (b))*	–	–	2,529,776,120	202,382
Placing of shares *(note (c))*	–	–	569,199,627	45,536
Ordinary share of HK$0.08 each at 31 March 2017, 1 April 2017 and 31 March 2018	31,250,000,000	2,500,000	3,415,197,762	273,216

Notes:

(a) Consolidation of every eight shares issued and unissued into one consolidated share on 11 April 2016 pursuant to the ordinary resolution passed in the extraordinary general meeting held on 8 April 2016.

(b) Allotment and issue of new shares on 18 May 2016 by way of rights issue on the basis of eight rights shares for every one consolidated share at subscription price of HK$0.112 per share pursuant to the ordinary resolution passed in the extraordinary general meeting held on 8 April 2016.

(c) On 12 August 2016, the Company issued 569,199,627 new ordinary shares under general mandate pursuant to placing agreement dated 28 July 2016 at subscription price of HK$0.08 per share for a total cash consideration of approximately HK$45,536,000.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The independent auditor of the Group will issue a disclaimer of opinion on the consolidated financial statements of the Group. The below section set out an extract of independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2018.

Disclaimer of opinion

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

1) Misuse of Company funds from disposal of leasehold property

During the year ended 31 March 2017, Evotech (Asia) Pte. Limited ("Evotech"), an indirect wholly owned subsidiary of the Company entered into an agreement with Jurong Town Corporation ("JTC") of the Singapore government, without the knowledge, consent or approval by the Board of Directors of the Company, to surrender a leasehold property to JTC at the consideration of Singapore dollar ("S$") 5,620,000 (equivalent of approximately HK$32,232,000) excluding goods and services tax in Singapore ("Transaction"). To the best knowledge of the Directors, the net proceeds received from the Transaction ("Proceeds") were used for (i) settlement of bank borrowing of Evotech of approximately S$1,362,000 (equivalent to approximately HK$7,700,000); (ii) fund transfer to Kesterion Investment Limited, a former substantial shareholder of the Company of approximately US$570,000 and S$1,600,000 (equivalent to approximately HK$13,399,000); (iii) fund transfers to Koh Tat Lee, a former director of the Company and two independent third parties namely Yao Jun and Yew Eng Piow, of approximately US$500,000 and S$685,000 (equivalent to approximately HK$7,677,000) ((ii) to (iii) referred to as the "Fund Transfers") and the remaining balance of the Proceeds were used as working capital of the Group.

In the opinion of the Board of Directors of the Company, the Proceeds were misused. Under this circumstance, the directors of the Company considered that the Company has the right to recover the Fund Transfer together with the interest and consequentially, the amounts of approximately HK$23,758,000 and HK$21,076,000 has been accounted for as other receivables in the consolidated statement of financial position as at 31 March 2018 and 31 March 2017.

Due to the irregular nature of the Transaction, we were unable to obtain sufficient appropriate audit evidence of the Transaction and the usage of the Proceeds, including but not limited to (i) the Company's board resolution of approval for the Transaction; (ii) the Company's board resolution of approval for the usage of the corresponding Proceeds; and (iii) direct confirmation from each of the recipient of the Fund Transfers to confirm the nature of the Fund Transfers and the outstanding balances of each recipient Fund Transfers as at 31 March 2018. Accordingly, we were unable to verify the validity, classification and nature of these balances.

Given the circumstances described above, the scope of our audit work was limited and there was no other alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the Transaction and the usage of corresponding Proceeds were properly authorised and approved by the Board of Directors; and (ii) the validity, classification, nature and recoverability for the balances of other receivables of approximately HK$23,758,000 due from the recipient of the Fund Transfers as at 31 March 2018 were free from material misstatement. Any adjustments that might have been found necessary will have an effect on the consolidated statement of financial position as at 31 March 2018, and consequently financial performance and cash flows of the Group for the year ended 31 March 2018 and the related disclosures thereof in the consolidated financial statements.

In our audit of the consolidated financial statements of the Group for the year ended 31 March 2017, we experienced the same limitation as mentioned above. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2017 was disclaimed accordingly. These limitations were unresolved this year. As the auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2017 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the other receivables would have a significant effect on the opening balances on the consolidated financial position of the Group as at 31 March 2018 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 March 2018.

2) Deconsolidation of subsidiaries

During the year ended 31 March 2017, the Group was unable to locate complete set of books and records of two of its subsidiaries, i.e. 寰亞宏華商貿(北京)有限責任公司 and 宏華加業商貿(上海)有限公司 ("Deconsolidated Subsidiaries"). In the opinion of the Board of Directors of the Company, the controls over the Deconsolidated Subsidiaries were lost. Accordingly, the financial performance and the assets and liabilities of the Deconsolidated Subsidiaries had been de-consolidated from the consolidated financial statements of the Group with effective from 31 March 2017 and a loss on deconsolidation of Deconsolidated

Subsidiaries of approximately HK$6,151,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017. During the year ended 31 March 2018, the Group was still unable to locate the complete to locate complete set of books and records of Deconsolidated Subsidiaries.

Given the circumstances described above, the scope of our audit work was limited and there was no other alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence to satisfy ourselves to (i) the timing and whether it was appropriate to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries; (ii) the transaction of the Deconsolidated Subsidiaries during the years ended 31 March 2017 and 2018 and the balances of assets and liabilities of the Deconsolidated Subsidiaries as at the date of deconsolidation were properly recorded and free from material misstatements; and (iii) any contingent liabilities, commitments, related party transactions and significant subsequent events relating to the Deconsolidated Subsidiaries and the related disclosure thereof. Any adjustments that might have been found necessary will have an effect on the consolidated statement of financial position as at 31 March 2018, and consequently financial performance and cash flows of the Group for the year ended 31 March 2018 and the related disclosures thereof in the consolidated financial statements.

In our audit of the consolidated financial statements of the Group for the year ended 31 March 2017, we experienced the same limitation as mentioned above. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2017 was disclaimed accordingly. These limitations were unresolved this year. As the auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2017 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the other receivables would have a significant effect on the opening balances on the consolidated financial position of the Group as at 31 March 2018 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 March 2018.

3) Material uncertainty in relation to going concern basis

We draw attention to note 2 in the consolidated financial statements of the Group which indicates that the Group incurred a loss for the year of approximately HK$76,092,000 during the year ended 31 March 2018. As at the same date, the Group incurred net current liabilities and net liabilities of approximately HK$119,652,000 and approximately HK$410,031,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In forming our opinion, we have considered the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for resumption of trading in the Company's shares and the restructuring of the Group has been submitted to The Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. In view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Dividends

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 2 to 3.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

Stainless steel wires are widely applied in the manufacturing of electric appliances, mobile communication equipment and high precision 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 as a steady level throughout the current year.

The Group also imports household products from Korea and Japan and sell them on a wholesale basis to distributors in Hong Kong and the PRC. The Group considers that the performance of this business segment is acceptable taking into account the current economic climate and the time required for the development of the business. This applies to the nephrite business too.

Chartering of vessel continues to be a regular income stream of the Group.

PROSPECTS

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's business. All the existing businesses including assets and liabilities of the Company will be transferred to a nominee of the scheme administrators.

FINANCIAL REVIEW

The Group's revenue for the year amounted to approximately HK$105,665,000 (2017: approximately HK$84,730,000), increased by approximately HK$20,935,000 as compared to the Year in 2017. The significant increase in revenue was mainly attributed to the full-year effect of the businesses of stainless steel wires.

The Group has incurred a gross profit of approximately HK$5,748,000 (2017: approximately HK$16,113,000). Other gains and losses amounted to approximately HK$1,555,000 (2017: approximately HK$80,296,000). Loss for the year increased to approximately HK$76,092,000 as compared to profit approximately HK$2,686,000 in last year.

The significant increase in loss for the year was mainly attributable to the fair value loss on investment properties and the legal and professional fee incurred for the year ended 31 March 2018, while there was an one-off reversal of allowances for trade and other receivables made for the year ended 31 March 2017.

CAPITAL STRUCTURE AND LIQUIDITY

Proposed capital reorganization

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

(i) Share Premium Cancellation: the entire amount standing to the credit of the share premium account of the Company will be cancelled to set off against part of total accumulated loss of the Company;

(ii) Share Consolidation: every fifty issued shares of HK$0.08 each ("Share") will be consolidated into one consolidated share of HK$4.0 each ("Consolidated Share") in the issued share capital of the Company;

(iii) Capital Reduction: upon Share Consolidation taking effect, the nominal value of the issued Consolidated Shares will be reduced from HK$4.0 to HK$0.0001 each (i.e. New Share) by cancelling the paid-up capital to the extent of HK$3.9999 each, and the total credit arising therefrom will be applied to further set off the accumulated loss of the Company;

(iv) Unissued Share Capital Cancellation: upon the Capital Reduction taking effect, all the authorized but unissued share capital of the Company will be cancelled in their entirety; and

(v) Authorised Share Capital Increase: upon the Unissued Share Capital Cancellation taking effect, the authorised share capital of the Company will be increased to HK$10,000,000 divided into 100,000,000,000 New Shares.

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

Proposed open offer

On 9 November 2017, the Company proposed an open offer ("Open Offer") on the basis of nineteen offer shares ("Offer Shares") for every one New Share/Consolidated Share held by the qualifying shareholders on the Open Offer Record Date ("Qualifying Shareholders"). A total of 1,297,775,150 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders and/or the Underwriter at the offer price of HK$0.19 for each Offer Share. The Open Offer will be fully underwritten by the Underwriter.

Completion of the Open Offer, being part of the Resumption Proposal, is conditional upon the New Capital Reorganization becoming effective and the completion of an acquisition ("Acquisition") of a target company ("Target") which is principally engaged in provision of interior design services for commercial and residential properties, as well as galleries and show flats for local property developers in Hong Kong. For details, please refer to the announcement of the Company dated 9 November 2017 and 14 November 2017.

As at 31 March 2018, the Group has a current ratio of approximately 0.36 times (31 March 2017: approximately 0.83 times). Gearing ratio, calculated based on non-current liabilities of approximately HK$345,687,000 (31 March 2017: approximately HK$396,045,000) against total deficit of approximately HK$410,031,000 (31 March 2017: approximately HK$348,777,000) increased from -113.55% for 2017 to -84.31% for 2018.

As at 31 March 2018, the Group did not have any material contingent liability (31 March 2017: Nil).

As at 31 March 2018, the Group did not have any material capital commitment (31 March 2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of subsidiaries and associated companies during the year.

LITIGATION

(1) On 4 September 2016 the Company announced, amongst other things, that (i) Evotech (Asia) Pte. Limited ("Evotech") 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 Ta Lee ("Mr. Koh") for breaches of his duties as director and employee of Evotech and against Ms. Lily Bey Lay Lay ("Lily Bey"), another ex-director of Evotech, for breaches of her duties as director of Evotech and, for recovery of damages in the sums of S$2,285,000 and US$1,070,000 (the "Singapore Legal Action").

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

In the Third Party Proceedings, Mr. Koh and Lily Bey sought indemnities and/or contributions against the Singapore Third Parties for authorizing and approving all the monetary transactions claimed by Evotech in the Singapore Legal Action to set off of 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 attornies 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 Company and other 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 Board has maintained its view that both Evotech and the Company have meritorious claim and defence in the Singapore Legal Action and the Third Party Proceedings and such proceedings shall have no adverse impact upon the financial position of the Group. Therefore, no provision in respect of the Singapore Legal Action and the Third Party Proceedings was made in the consolidated financial statements.

The Company's attorney in The Republic of Singapore is in the process of finalising the taxation application and will update the status in due course.

(2) On 2 November 2017, the Company received a demand letter from Kesterion. On 17 November 2017, the Company received a Writ of Summons issued by Kesterion in the High Court of the Hong Kong Special Administrative Region under Action Number 2631 of 2017 against CAAL as the 1st Defendant and the Company as the 2nd Defendant. On 20 November 2017 and 21 November 2017, the Company and its authorised representatives respectively received another Writ of Summons issued by Kesterion in the High Court of the Hong Kong Special Administrative Region under Action Number 2662 of 2017 against the Company (collectively "the Writs").

The Writs are in relation to the repayment of a loan 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 Kesterion has assigned all its rights, title and interest in all the debts and liabilities owed by the Company to Kesterion 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.

As the claim under the Writs is related to the assignment between Kesterion and CAAL and the Company has already recorded the corresponding loan in the consolidated financial statements, the Board considered that the claim under the Writs shall have no adverse impact upon the financial position of the Group except that the corresponding loan has been reclassified from non-current liabilities to current liabilities based on the original terms of the loan facility.

Save as discussed in the above section, during the year ended 31 March 2018, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

LISTING STATUS

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

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

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

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

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

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

On 19 January 2018, the Stock Exchange granted an extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 March 2018 and (ii) despatch the circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 19 June 2018. On 29 March 2018, the Stock Exchange granted a further extension of time to the Company to submit the new listing application relating to the Resumption Proposal on or before 29 June 2018 and (ii) despatch the circular in accordance with the requirements under the Listing Rules and the Takeovers Code on or before 12 September 2018. If the Company fails to submit a new listing application by 29 June 2018, or the transactions proposed in the Resumption Proposal fail to proceed with for any reasons, the Stock Exchange will proceed with the cancellation of listing of the Shares on the Stock Exchange.

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 and 4 May 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group has 20 full time employees (31 March 2017: 27) in Hong Kong and the People's Republic of China ("PRC"). During the year ended 31 March 2018, the Group incurred staff costs (including Directors' emoluments) of approximately HK$5,016,000 (2017: approximately HK$7,432,000).

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

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

The emoluments of the executive Directors are recommended by the remuneration committee, and approved by the Board as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' experience, responsibility, workload and time devoted to the Group; and the executive Directors may be granted options pursuant to the Share Option Scheme as defined in note 34 to the consolidated financial statements and/or any other such schemes of the Company as part of their remuneration packages.

BORROWING FACILITIES

As at 31 March 2018, the Group has obtained credit facilities from various banks, financial institutions and independent third parties up to a maximum amount of approximately HK$20,513,000 (2017: approximately HK$14,870,000) and approximately HK$20,513,000 (2017: approximately HK$13,870,000) of the credit facilities has been utilized.

PLEDGE OF ASSETS

At 31 March 2018, investment properties located in the PRC at carrying values of approximately RMB18,123,000 (equivalent to approximately HK$22,674,000) (2017: RMB25,180,000 (equivalent to approximately HK$28,406,000)) were pledged to secure general banking facilities granted to the Group.

TREASURY POLICIES

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

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

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

The Company has not redeemed any of its listed securities during the year ended 31 March 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain and ensure high standards of corporate governance practices to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules"). Except for the deviations as disclosed in this report, the Company has complied with the CG Code throughout the year ended 31 March 2018.

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

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 year ended 31 March 2018.

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

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the date of the Annual Report 2017 are set out below:

Mr. Wong Chi Man has retired as a non-executive director of the Company with effect from the conclusion of the annual general meeting held on 8 June 2017.

Mr. Liang Tongwei has retired as a non-executive director of the Company with effect from the conclusion of the annual general meeting held on 8 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Board currently comprises three members of independent non-executive Directors, namely Dr. Wan Ho Yuen, Terence, Mr. Li 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 duties of the Audit Committee which includes reviewing and supervising financial reporting system, risk management and internal control system of the Group and to review and approve the Company's annual reports and accounts, interim report and quarterly reports to the Board. The Audit Committee has reviewed this 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, 1 June 2018

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

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