



**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)

INTERIM REPORT

2018/19

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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THIS REPORT, FOR WHICH THE DIRECTORS OF (THE “DIRECTORS”) OF UNION ASIA ENTERPRISE HOLDINGS LIMITED (THE “COMPANY”) COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY, INCLUDES PARTICULARS GIVEN IN COMPLIANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE (THE “GEM LISTING RULES”) FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO THE COMPANY. THE DIRECTORS, HAVING MADE ALL REASONABLE ENQUIRIES, CONFIRM THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF THE INFORMATION CONTAINED IN THIS REPORT IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS AND NOT MISLEADING OR DECEPTIVE, AND THERE ARE NO OTHER MATTERS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN OR THIS REPORT MISLEADING.

MANAGEMENT DISCUSSIONS AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS

There was no major acquisition or disposal during the six months ended 30 September 2018 (the "Period") and 30 September 2017.

BUSINESS AND FINANCIAL REVIEW

The Group's revenue for the Period amounted to approximately HK\$17,329,000 (2017: approximately HK\$20,051,000), decreased by approximately HK\$2,722,000 as compared to the same period in 2017. The decrease in revenue was mainly attributable to the deteriorating and thus finally ceasing of several trading businesses including beverages, household products and nephrites during the Period.

During the Period, the Group has incurred a gross gain of approximately HK\$535,000 while it was a gross gain of approximately HK\$880,000 for the same period last year. Other operating expenses, net amounted to approximately HK\$3,561,000 (2017: approximately HK\$7,062,000). Loss for the Period amounted to approximately HK\$51,582,000 (2017: approximately HK\$49,599,000) in which the increase was mainly attributable to the fair value loss on investment properties.

CAPITAL STRUCTURE AND LIQUIDITY

Proposed Capital Reorganization

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

- (i) Share Premium Cancellation: the entire amount standing to the credit of the share premium account of the Company will be cancelled to set off against part of total accumulated loss of the Company;
- (ii) Share Consolidation: every fifty issued shares of HK\$0.08 each (“Share”) will be consolidated into one consolidated share of HK\$4.0 each (“Consolidated Share”) in the issued share capital of the Company;
- (iii) Capital Reduction: upon Share Consolidation taking effect, the nominal value of the issued Consolidated Shares will be reduced from HK\$4.0 to HK\$0.0001 each (i.e. New Share) by cancelling the paid-up capital to the extent of HK\$3.9999 each, and the total credit arising therefrom will be applied to further set off the accumulated loss of the Company;
- (iv) Unissued Share Capital Cancellation: upon the Capital Reduction taking effect, all the 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 announcements 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 partially 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 announcements of the Company dated 9 November 2017 and 28 June 2018.

Net liabilities of the Group deteriorated to approximately HK\$457,509,000 as at 30 September 2018 from approximately HK\$410,031,000 as at 31 March 2018. The increase in net liabilities was mainly attributable to the increase in interests accumulated for convertible bonds during the Period.

LITIGATION

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

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

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

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

On 8 October 2018, an oral judgment was handed down by the trial judge who ruled in favour of Evotech against the Defendants jointly and severally in the total sum claimed by Evotech with interests running on each of these sums, while the formal judgment was released on 16 October 2018. Evotech is seeking legal advice in relation to the enforcement of the judgment against the Defendants.

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

- (2) On 2 November 2017, the Company received a demand letter from Kesterion Investments Limited (“Kesterion”). On 17 November 2017, the Company received a Writ of Summons issued by Kesterion in the High Court of the Hong Kong Special Administrative Region under Action Number 2631 of 2017 against CAAL 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. On 28 June 2018, CAAL filed its defence for the consolidated action.

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

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

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

Evotech has engaged a Singapore law firm to contest the proceedings. The memorandum of appearance was filed by the Singapore law firm on behalf of Evotech on 9 July 2018. On 24 July 2018, Evotech has filed a defence denying the claim.

The Board has obtained legal opinion and expects that the Writ will have no significant effects on the overall financial and/or operation conditions of the Group. Therefore, no provision in respect of the claim was made in the condensed consolidated financial statements.

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

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

LISTING STATUS

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

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

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

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 (the "Listing Application") relating to the Resumption Proposal on or before 8 January 2018.

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

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

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

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

OUTLOOK

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

Among the Group's two business segments, the trading of metals/stainless steel wires contributed majority of the Company's revenue for the Period. In view of the high demand for stainless steel wires from the mobile communication and medical industries as raw materials in recent years, revenue from the trading of metals remained a steady level. Also, in order to streamline and improve efficiency, the Group will continue to focus its resources on metals trading.

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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of Directors (the “Board”) of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the Period together with the comparative figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Continuing Operations					
Turnover	7	8,662	13,673	19,561	29,614
Revenue	7	8,662	10,827	17,329	20,051
Cost of sales		(8,395)	(10,132)	(16,794)	(19,171)
Gross profit		267	695	535	880
Administrative expenses		(3,586)	(7,709)	(9,716)	(13,240)
Other operating expenses, net	8	(3,633)	(7,589)	(3,561)	(7,062)
Loss from operations		(6,952)	(14,603)	(12,742)	(19,422)
Finance costs	9	(14,956)	(13,434)	(29,920)	(26,104)
Loss before tax		(21,908)	(28,037)	(42,662)	(45,526)
Income tax expenses	10	–	(1)	(14)	–
Loss for the period from continuing operations	11	(21,908)	(28,038)	(42,676)	(45,526)
Discontinued operations					
Loss for the period from discontinued operations	12	(8,315)	(5,433)	(8,906)	(4,073)
Loss for the period		(30,223)	(33,471)	(51,582)	(49,599)

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Other comprehensive expenses for the period, net of tax				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	3,683	(1,117)	4,104	(1,103)
Total comprehensive expenses for the period	<u>(26,540)</u>	<u>(34,588)</u>	<u>(47,478)</u>	<u>(50,702)</u>
Loss for the period attributable to owners of the Company				
– from continuing operations	(21,908)	(28,038)	(42,676)	(45,526)
– from discontinued operations	(8,315)	(5,436)	(8,906)	(4,073)
Loss for the period attributable to owners of the Company	<u>(30,223)</u>	<u>(33,474)</u>	<u>(51,582)</u>	<u>(49,599)</u>
Loss for the period attributable to non-controlling interest				
– from continuing operations	–	–	–	–
– from discontinued operations	–	3	–	–
Loss for the period attributable to non-controlling interest	<u>–</u>	<u>3</u>	<u>–</u>	<u>–</u>
	<u>(30,223)</u>	<u>(33,471)</u>	<u>(51,582)</u>	<u>(49,599)</u>
Total comprehensive expenses for the period attributable to:				
Owners of the Company	(26,540)	(34,591)	(47,478)	(50,702)
Non-controlling interests	–	3	–	–
	<u>(26,540)</u>	<u>(34,588)</u>	<u>(47,478)</u>	<u>(50,702)</u>

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2018 HK cents (unaudited)	2017 HK cents (unaudited)	2018 HK cents (unaudited)	2017 HK cents (unaudited)
Loss per share					
From continuing and discontinued operations					
Basic	13	(0.88)	(0.98)	(1.51)	(1.45)
Diluted		N/A	N/A	N/A	N/A
From continuing operations					
Basic		(0.64)	(0.82)	(1.25)	(1.33)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		8,788	22,497
Investment properties		–	22,674
Goodwill	14	10,137	10,137
Total non-current assets		18,925	55,308
Current assets			
Inventories		2,968	2,674
Trade and other receivables	15	46,793	40,029
Financial assets at fair value through profit or loss	16	15,381	21,344
Bank and cash balances		516	2,856
		65,658	66,903
Assets classified as held for sale	17	39,987	–
Total current assets		105,645	66,903
Total assets		124,570	122,211

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Current liabilities			
Trade and other payables	18	57,499	72,149
Bank and other borrowings		123,036	113,558
Promissory notes		9,995	–
Current tax liabilities		596	848
		<u>191,126</u>	<u>186,555</u>
Liabilities directly associated with assets classified as held for sale	17	<u>49,770</u>	<u>–</u>
Total current liabilities		<u>240,896</u>	<u>186,555</u>
Net current liabilities		<u>(135,251)</u>	<u>(119,652)</u>
Total assets less current liabilities		<u>(116,326)</u>	<u>(64,344)</u>
Non-current liabilities			
Convertible bonds	19	313,996	293,313
Promissory notes		–	27,737
Corporate bonds		22,624	22,000
Deferred tax liabilities		4,563	2,637
		<u>341,183</u>	<u>345,687</u>
Total non-current liabilities		<u>341,183</u>	<u>345,687</u>
Net liabilities		<u>(457,509)</u>	<u>(410,031)</u>
Capital and reserves			
Share capital	20	273,216	273,216
Reserves		(730,072)	(682,594)
Equity attributable to owners of the Company		<u>(456,856)</u>	<u>(409,378)</u>
Non-controlling interests		<u>(653)</u>	<u>(653)</u>
Total equity		<u>(457,509)</u>	<u>(410,031)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	(Unaudited)							
	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2017 (audited)	273,216	3,661,406	(3,416)	141,439	(4,410,980)	(338,335)	(10,442)	(348,777)
Total comprehensive expenses for the period	-	-	(1,103)	-	(49,599)	(50,702)	-	(50,702)
Loss on deregistration of subsidiaries	-	-	-	-	-	-	10,442	10,442
Changes in equity for the period	-	-	(1,103)	-	(49,599)	(50,702)	10,442	(40,260)
At 30 September 2017 (unaudited)	<u>273,216</u>	<u>3,661,406</u>	<u>(4,519)</u>	<u>141,439</u>	<u>(4,460,579)</u>	<u>(389,037)</u>	<u>-</u>	<u>(389,037)</u>
At 1 April 2018 (audited)	273,216	3,661,406	1,633	141,439	(4,487,072)	(409,378)	(653)	(410,031)
Total comprehensive expenses for the period	-	-	4,104	-	(51,582)	(47,478)	-	(47,478)
Changes in equity for the period	-	-	4,104	-	(51,582)	(47,478)	-	(47,478)
At 30 September 2018 (unaudited)	<u>273,216</u>	<u>3,661,406</u>	<u>5,737</u>	<u>141,439</u>	<u>(4,538,654)</u>	<u>(456,856)</u>	<u>(653)</u>	<u>(457,441)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(9,281)	5,891
Net cash used in investing activities	500	–
Net cash generated from/(used in) financing activities	6,585	(6,102)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,196)	(211)
Effect of changes in foreign exchange rates	(84)	(35)
Cash and cash equivalents at beginning of period	2,856	2,369
	<hr/>	<hr/>
Cash and cash equivalents at end of period	576	2,123
	<hr/> <hr/>	<hr/> <hr/>

Analysis of cash and cash equivalents

Bank and cash balance for continuing operations	516	2,123
Bank and cash balance included in disposal group classified as held for sale	60	–
	<hr/>	<hr/>
	576	2,123
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

2. GOING CONCERN BASIS

The Group had a net liabilities of approximately HK\$457,509,000 as at 30 September 2018, which indicated that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

3. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures requirements of the GEM Listing Rules and the accounting principles generally accepted in Hong Kong.

These unaudited condensed consolidated financial statements, which do not include all information and disclosures as required in the annual financial statements, should be read in conjunction with the annual report for the year ended 31 March 2018.

The accounting policies and method of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2018.

4. CHANGES IN ACCOUNTING POLICIES

During the Period, the Group has applied for the first time the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014 – 2016 Cycle
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time during the Period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue mainly from the trading of metals.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a Customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i. e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue, results and the financial position of the Group for the Period and the accumulated losses at 1 April 2018.

Changes in accounting policies of application on HKFRS 9 *Financial Instruments*

During the Period, the Group has applied HKFRS 9. HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regards to the classification and measurement of financial assets HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms

that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of a financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company reviewed and assessed the Group's existing financial position as at 30 September 2018 and 1 April 2018 in accordance with the requirements of HKFRS 9 and HKFRS 15. There has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

5. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

a. Disclosures of level in fair value hierarchy:

Description	Level 1	Level 2	Level 3	As at 30 September 2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in				
Hong Kong	15,381	–	–	15,381
Investment properties in the PRC	–	–	15,913	15,913
	<u>15,381</u>	<u>–</u>	<u>15,913</u>	<u>31,294</u>

Description	Level 1	Level 2	Level 3	As at 31 March 2018
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)	Total HK\$'000 (audited)
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in				
Hong Kong	21,344	–	–	21,344
Investment properties in the PRC	–	–	22,674	22,674
	<u>21,344</u>	<u>–</u>	<u>22,674</u>	<u>44,018</u>

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

	Investment properties HK\$'000
At 1 April 2018 (audited)	22,674
Fair value losses	(9,918)
Exchange differences recognised in other comprehensive income	3,157
	<hr/>
At 30 September 2018 (unaudited)	15,913
	<hr/> <hr/>
At 1 April 2017 (audited)	28,406
Fair value losses	(8,320)
Exchange differences recognised in other comprehensive income	2,588
	<hr/>
At 31 March 2018 (audited)	22,674
	<hr/> <hr/>

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

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Fair value as at 30 September 2018 HK\$'000 (unaudited)	Fair value as at 31 March 2018 HK\$'000 (audited)
Investment properties in the PRC	Market comparable approach	Price per square metre	RMB13,056 (31 March 2018: RMB16,940)	15,913	22,674

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

6. SEGMENT INFORMATION

The Group has two reportable segments in its continuing operations during the Period.

Metals – Trading of stainless-steel wires

Securities – Investment and trading of listed securities

Three trading businesses (the trading of beverages, household products and nephrite) had ceased/discontinued during the Period. Also, the charterer agreement for chartering out of pleasure vessel has been ended in August 2018 and no renewal of the agreement has been made. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 11.

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

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

(a) Segment revenue, results and assets

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

	Securities Trading	Metals	Total
Six months ended	HK\$'000	HK\$'000	HK\$'000
30 September 2018	(unaudited)	(unaudited)	(unaudited)
Turnover (including proceeds from securities trading)	2,232	17,329	19,561
Revenue from external customers	–	17,329	17,329
Segment loss before tax	(4,650)	(372)	(5,022)
	<u> </u>	<u> </u>	<u> </u>
	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2018	(unaudited)	(unaudited)	(unaudited)
Segment assets	15,387	15,936	31,323
	<u> </u>	<u> </u>	<u> </u>
	Securities Trading	Metals	Total
Six months ended	HK\$'000	HK\$'000	HK\$'000
30 September 2017	(unaudited)	(unaudited)	(unaudited)
Turnover (including proceeds from securities trading)	9,563	20,051	29,614
Revenue from external customers	–	20,051	20,051
Segment loss before tax	(3,489)	(1,295)	(4,784)
	<u> </u>	<u> </u>	<u> </u>
	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2017	(unaudited)	(unaudited)	(unaudited)
Segment assets	17,199	46,789	63,988
	<u> </u>	<u> </u>	<u> </u>

(b) Reconciliation of reportable segment profit or loss

	For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Reportable segment loss	(5,022)	(4,784)
Loss on deregistration of subsidiaries	–	(7,150)
Unallocated depreciation	(55)	(609)
Unallocated other operating expenses, net	(3,561)	(7,062)
Unallocated corporate expenses	(34,038)	(25,921)
	<u>(42,676)</u>	<u>(45,526)</u>

7. REVENUE

Revenue represents the net amounts received and receivable for sales of goods to customers, net of good returns and trade discounts. The Group's revenue recognised during the period from continuing operations is as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Sale of metals	<u>8,662</u>	<u>10,827</u>	<u>17,329</u>	<u>20,051</u>
Proceeds from sale of listed securities	<u>–</u>	<u>2,846</u>	<u>2,232</u>	<u>9,563</u>
Turnover	<u>8,662</u>	<u>13,673</u>	<u>19,561</u>	<u>29,614</u>

8. OTHER OPERATING EXPENSES, NET

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Continuing operations				
Fair value (loss)/gain on financial assets at fair value through profit or loss	(3,796)	(2,481)	(4,726)	695
Gain/(loss) on disposal of financial assets at fair value through profit or loss	–	618	1,002	(4,156)
Dividend income from listed securities	–	–	–	20
Loss on deregistration of subsidiaries	–	(7,150)	–	(7,150)
Net sundry income	163	1,424	163	3,529
	<u>(3,633)</u>	<u>(7,589)</u>	<u>(3,561)</u>	<u>(7,062)</u>

9. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Continuing operations				
Interest on bank and overdrafts	242	202	826	400
Interest on convertible bonds	12,572	10,416	24,583	21,110
Interest on corporate bonds	316	299	624	590
Interest on promissory notes	791	937	1,828	1,841
Interest on other borrowings	1,035	1,580	2,059	2,163
	<u>14,956</u>	<u>13,434</u>	<u>29,920</u>	<u>26,104</u>

10. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made as the Group has not generated any assessable profits that are subject to Hong Kong profits tax during the period (2017: Nil).

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

11. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Depreciation	28	305	55	609
Directors' remuneration	330	369	660	735
Operating lease charges in respect of land and building	225	746	444	1,496

12. DISCONTINUED OPERATIONS

During the Period the Group ceases its businesses regarding trading of beverages, household products and nephrite due to their limited contribution to the Group so as to minimize losses. Also, the Group is taking various measures to enhance its liquidity and financial position including but not limited to disposal of investment properties, vessels and equity interests in the subsidiaries of the Group. Therefore, all the above-mentioned businesses have been classified and accounted for at 30 September 2018 as a disposal group held for sale ("Disposal Group") (note 17).

	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Loss for the period from discontinued operations:				
Revenue	280	19,488	5,283	38,393
Cost of sales	–	(18,425)	(4,405)	(35,508)
Administrative expenses	(959)	(2,213)	(1,850)	(3,039)
Other losses	(9,918)	(3,707)	(9,918)	(3,500)
Finance costs	(203)	(569)	(415)	(379)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit before tax	(10,800)	(5,426)	(11,305)	(4,033)
Income tax expenses	2,485	(7)	2,399	(40)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss for the period from discontinued operations	<u>(8,315)</u>	<u>(5,433)</u>	<u>(8,906)</u>	<u>(4,073)</u>
Attributable to:				
Owners of the Company	(8,315)	(5,433)	(8,906)	(4,073)
Non-controlling interest	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(8,315)</u>	<u>(5,433)</u>	<u>(8,906)</u>	<u>(4,073)</u>
Loss for the period from discontinued operations include the following:				
Depreciation	273	130	545	260
Cash flows from discontinued operations:				
Net cash outflows from operating activities			(3,922)	(1,361)
Net cash outflows from financing activities			(415)	(379)
			<u> </u>	<u> </u>
Net cash outflows			<u>(4,337)</u>	<u>(1,740)</u>

13. LOSS PER SHARE

Basic loss per share

(a) *From continuing and discontinued operations*

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months period ended 30 September 2018 of approximately HK\$30,223,000 (2017: approximately HK\$33,474,000) and the loss attributable to owners of the Company for the six months period ended 30 September 2018 of approximately HK\$51,582,000 (2017: approximately HK\$49,599,000), and the weighted average number of ordinary shares of 3,415,197,762 shares (2017: 3,415,197,762 shares) in issue during the two respective periods.

(b) *From continuing operations*

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months period ended 30 September 2018 of approximately HK\$21,908,000 (2017: approximately HK\$28,038,000) and the loss attributable to owners of the Company for the six months period ended 30 September 2018 of approximately HK\$42,676,000 (2017: approximately HK\$45,526,000). The weighted average numbers of ordinary shares used as denominators in calculating the basic earnings per share are the same.

(c) *From discontinued operations*

Basic loss per share from the discontinued operations for the three months period ended 30 September 2018 is HK0.24 cents per share (2017: HK0.16 cents per share), based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$8,315,000 (2017: approximately HK\$5,436,000) and the denominators used are the same as those detailed above for basic loss per share. While the basic loss per share from the discontinued operations for the six months period ended 30 September 2018 is HK0.26 cents per share (2017: HK0.12 cents per share), based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$8,906,000 (2017: approximately HK\$4,073,000) and the denominators used are the same as those detailed above for basic loss per share.

Diluted loss per share

For all (a), (b) and (c) cases above, as the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there were no dilutive potential ordinary shares of the Company's outstanding share options for both periods, no diluted loss per share was presented in both periods.

14. GOODWILL

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

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trading of stainless steel wires: – Fu Hang Metal (Asia) Limited	10,137	10,137

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade receivables	10,146	13,945
Rental and other deposits	2,962	1,797
Prepayments and other receivables	33,685	24,287
	<u>46,793</u>	<u>40,029</u>

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

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0 to 90 days	7,176	7,694
91 to 180 days	976	2,420
Over 180 days	1,994	3,831
	<u>10,146</u>	<u>13,945</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Equity securities listed in Hong Kong, at fair value	<u>15,381</u>	<u>21,344</u>

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

During the Period, the net realised gain on disposal of listed securities of approximately HK\$1,002,000 (2017: loss of approximately HK\$4,156,000) was recognised in the condensed consolidated financial statements.

17. ASSETS CLASSIFIED AS HELD FOR SALE

As described in note 12, during the Period, the Group ceases its businesses regarding trading of beverages, household products and nephrite. And the Group may dispose its investment properties, vessels and equity interests in the subsidiaries within one year. The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	As at 30 September 2018 HK\$'000 (unaudited)
Property, plant and equipment	13,109
Investment properties	15,913
Trade and other receivables	10,905
Cash and bank balances	60
	<hr/>
Assets of Disposal Group classified as held for sale	39,987
	<hr/>
Trade and other payables	38,515
Current tax liabilities	130
Bank and other borrowings	11,125
	<hr/>
Liabilities of Disposal Group associated with assets classified as held for sale	49,770
	<hr/>
Net liabilities of the Disposal Group classified as held for sale	9,783
	<hr/> <hr/>

18. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade and bills payables	37,621	37,805
Accruals and other payables	19,878	34,344
	<u>57,499</u>	<u>72,149</u>

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

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0 to 90 days	3,395	1,338
91 to 180 days	286	1,621
Over 180 days	33,940	34,846
	<u>37,621</u>	<u>37,805</u>

19. CONVERTIBLE BONDS

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Non-current liabilities		
Liability component of convertible bonds 2% coupon issued on 12 May 2015 (Note)	313,996	293,313
	<u>313,996</u>	<u>293,313</u>

Note:

Convertible bonds issued on 12 May 2015

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

- (i) the terms of unsecured zero coupon convertible bonds with an aggregate principal amount of USD655,128,205 (equivalent to approximately HK\$5,110,000,000) issued on 18 December 2008 (the "Old Bonds") will be amended to grant the Company a right to redeem all the outstanding Old Bonds at a redemption price of US\$140,000,000 (equivalent to approximately HK\$1,092,000,000);
- (ii) the Company will exercise such redemption right; and
- (iii) in satisfaction and cancellation of the redemption amount payable under the amended Old Bonds following such redemption, the Company will issue to Kesterion all unsecured five-year 2.0% convertible bonds in principal amount of US\$140,000,000 (the "New Bonds"). The coupon is payable in arrear semi-annually from the issue date.

The holder of the New Bonds has the right to convert the New Bonds into the ordinary shares of the Company at a fixed conversion price of HK\$0.5, at any time before the maturity date.

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

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

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

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

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

	Liability component HK\$'000	Principal amount HK\$'000
At 31 March 2018 (audited)	293,313	390,000
Coupon payment	(3,900)	–
Imputed interest charged for the Period	24,583	–
	<u> </u>	<u> </u>
At 30 September 2018 (unaudited)	<u> 313,996 </u>	<u> 390,000 </u>

The interest charged for the Period is calculated by applying an effective interest rate of 17.60% (2017: 17.60%) per annum to the liability component.

20. SHARE CAPITAL

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Authorised:		
31,250,000,000 ordinary shares of HK\$0.08 each (At 31 March 2018: 31,250,000,000 ordinary shares of HK\$0.08 each)	2,500,000	2,500,000
Issued and fully paid:		
3,415,197,762 ordinary shares of HK\$0.08 each (At 31 March 2018: 3,415,197,762 ordinary shares of HK\$0.08 each)	273,216	273,216

21. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the Period and balances with related parties as at 30 September 2018:

Key management personnel remuneration

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

	For the six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries, bonus and allowances	1,005	735
Retirement benefits scheme contributions	54	18
	<u>1,059</u>	<u>753</u>

22. LEASE COMMITMENTS

At 30 September 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within one year	413	432
In the second year	414	377
	<u>827</u>	<u>809</u>

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for terms ranging from one to two years.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9 November 2018.

INTERIM DIVIDEND

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

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

As at 30 September 2018, there are no long and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 September 2018, so far as the Directors are aware, the following person (other than Directors and chief executives of the Company) had an interest and/or a short position in the shares or underlying shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

Long and short positions in shares of the Company

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

Save as disclosed above, as at 30 September 2018, the Company has not been notified by any other person (other than any Directors or chief executives of the Company) who had an interest or a short position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 to the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 July 2012 (the "Share Option Scheme") for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group and will expire on 29 July 2022. Under the Share Option Scheme, the Directors may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive Directors, and consultants or advisers of the Company and/or any of its subsidiaries. The Share Option Scheme is valid and effective for a period of ten years from the adoption date.

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

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

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

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

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

Under the Share Option Scheme, if the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee is dismissed by the Group by reason of persistent or serious misconduct, breach of material term of the relevant employment contract or summary dismissal.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

CORPORATE GOVERNANCE

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

Under code provision A.2.1 of the CG code, the role of Chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. Subsequent to the removal of former CEO Mr. Cheung Hung Man, by the Board on 23 May 2016, the post has been vacant as at 30 September 2018. The Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment to fill the post of the CEO as appropriate.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

The Company has confirmed that, having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the Period.

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

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, upon specific enquiry by the Company and following confirmations from the Directors, there are some changes in the information of the Directors subsequent to the date of the Company's annual report 2017/18.

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

AUDIT COMMITTEE

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

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

Hong Kong, 9 November 2018

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