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**UNION ASIA
ENTERPRISE HOLDINGS LTD
萬亞企業控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8173)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2020

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.

*This announcement, for which the directors (the “**Directors**”) of Union Asia Enterprise Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2020, the unaudited financial results of the Group were as follows:

- Revenue decreased from approximately HK\$16.3 million for the three months ended 30 June 2019 to approximately HK\$16.0 million for the three months ended 30 June 2020, representing a decrease of approximately HK\$0.3 million or 2.0%;
- Profit and total comprehensive income for the three months ended 30 June 2020 increased by approximately HK\$0.7 million, from approximately HK\$2.9 million for the three months ended 30 June 2019 to approximately HK\$3.6 million; and
- The Board does not recommend a payment of any dividend by the Company for the three months ended 30 June 2020.

FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2020 with the unaudited comparative figures for the corresponding periods in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Note	Three months ended	
		30 June	
		2020	2019
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
			(restated)
Revenue	4	15,955	16,284
Cost of services		<u>(7,037)</u>	<u>(7,222)</u>
Gross profit		8,918	9,062
Other income		644	234
Other losses		(3)	(407)
Administrative expenses		<u>(4,855)</u>	<u>(5,318)</u>
Profit from operations		4,704	3,571
Finance costs	5	<u>(466)</u>	<u>(355)</u>
Profit before tax		4,238	3,216
Income tax	6	<u>(614)</u>	<u>(357)</u>
Profit and total comprehensive income for the period	7	<u>3,624</u>	<u>2,859</u>
Earnings per share	9		
Basic		<u>HK0.30 cents</u>	<u>HK0.38 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Attributable to the owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000 (Note)	Retained profits/ losses (Accumulated) HK\$'000	Total equity HK\$'000
At 1 April 2019 (restated)	273,216	—	(272,997)	20,251	20,470
Profit and total comprehensive income and change in equity for the period	—	—	—	2,859	2,859
At 30 June 2019 (restated)	<u>273,216</u>	<u>—</u>	<u>(272,997)</u>	<u>23,110</u>	<u>23,329</u>
At 1 April 2020 (audited)	122	156,179	(68,482)	(41,395)	46,424
Profit and total comprehensive income and change in equity for the period	—	—	—	3,624	3,624
At 30 June 2020 (unaudited)	<u>122</u>	<u>156,179</u>	<u>(68,482)</u>	<u>(37,771)</u>	<u>50,048</u>

Note:

Other reserves comprise:

- (i) the adjustment of the legal capital of Absolute Surge Limited (“**Absolute Surge**”) to reflect the legal capital of the Company arising from the reverse takeover completed on 13 November 2019 (“**Reverse Takeover**”); and
- (ii) the difference between the nominal value of share capital of the subsidiaries of Absolute Surge acquired pursuant to the reorganisation completed on 26 April 2019 over the nominal value of the share capital of Absolute Surge issued in exchange therefor.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

1. GENERAL INFORMATION

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

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

In the opinion of the Directors of the Company, as at 30 June 2020, Whistle Up Limited, a company incorporated in the British Virgin Islands, is the immediate and ultimate holding company and Mr. Chan Norman Enrique is the ultimate controlling party of the Company.

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

2. BASIS OF PREPARATION

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

Restructuring

On 13 November 2019, the restructuring, including, among others, capital reorganisation, creditors schemes, provision of investor loan and investor loan capitalisation and reverse takeover involving new listing application and share offer were completed. For details of the above restructuring, please refer to the Company’s circular dated 29 May 2019 and the Company’s prospectus dated 4 November 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Except for the application of the accounting policy as explained below which became relevant to the Group, the accounting policies used in the preparation of these condensed consolidated financial information for the three months ended 30 June 2020 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020.

In the current period, the Group has applied all the new and revised HKFRSs and amendments to HKASs (hereinafter collectively referred to as “**New and Revised HKFRSs**”) issued by the HKICPA that are relevant to the Group and effective for accounting period beginning on 1 April 2020. None of the applications of the New and Revised HKFRSs have had a material effect on how the Group’s financial performance and position for the current or prior periods have been prepared or presented. The Group has not applied any new standard, interpretation or amendment that has been issued but is not yet effective for the current period.

HKAS 20 Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”. Grants relating to compensation of expenses are deducted from the related expenses.

4. REVENUE

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

	Three months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$’000	HK\$’000
		(restated)
Interior design and execution services	15,631	15,961
Colour-rendering services	324	323
	15,955	16,284

5. FINANCE COSTS

	Three months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
		(restated)
Interest on lease liabilities	32	60
Interest on bank loans	434	295
	<u>466</u>	<u>355</u>

6. INCOME TAX

Hong Kong Profits Tax has been provided at a rate of 16.5% (three months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong.

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong is lowered to 8.25%, and profits above that amount is subject to the tax rate of 16.5%. The two-tiered profits tax rates are applicable to the Group for the three months ended 30 June 2019 and 2020.

7. PROFIT FOR THE PERIOD

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

	Three months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
		(restated)
Employee benefit expense	7,431	9,006
Depreciation of property, plant and equipment	220	392
Depreciation of right-of-use assets	1,112	1,122
Rental expenses relating to short-term leases	—	261
Government grants in respect of COVID-19 related subsidies*	(611)	—
	<u>(611)</u>	<u>—</u>

* During the three months ended 30 June 2020, the Group applied for the first tranche of the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. In June 2020, the Group received approximately HK\$1,834,000 as subsidies for the Group's salary costs for June to August 2020, of which approximately HK\$611,000 is related to the salary costs for June 2020.

8. DIVIDENDS

The Board does not recommend a payment of any dividend by the Company for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the period is based on the following:

	Three months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
		(restated)
Earnings		
Profit attributable to owners of the Company	<u>3,624</u>	<u>2,859</u>

	Three months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>1,221,053</u>	<u>760,000</u>

The weighted average number of shares used for the purpose of calculating basic earnings per share for the three months ended 30 June 2019 is determined by reference to Absolute Surge's historical weighted average number of shares outstanding multiplied by the exchange ratio established in the Reverse Takeover.

No diluted earnings per share for the three months ended 30 June 2019 and 2020 has been presented as there were no potential dilutive shares outstanding.

10. EVENTS AFTER THE REPORTING PERIOD

For the three months ended 30 June 2020, the financial performance of the Group has been affected by the COVID-19 outbreak in the early 2020. A series of precautionary and control measures have been and will continue to be implemented across Mainland China and Hong Kong.

Following to the spread of COVID-19 subsequent to the reporting period to other locations, including but not limited to Asia, management has also taken relevant actions to minimise the unfavourable impact. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue decreased from approximately HK\$16.3 million for the three months ended 30 June 2019 to approximately HK\$16.0 million for the three months ended 30 June 2020, representing a decrease of approximately HK\$0.3 million or 2.0%. The decrease was mainly attributable to a combination of factors, including (i) the increase in revenue from show flat and sales office projects; and (ii) the decrease in revenue from residential and commercial projects.

Cost of services

Cost of services for the three months ended 30 June 2019 and 2020 amounted to approximately HK\$7.2 million and HK\$7.0 million, respectively, representing a decrease of approximately HK\$0.2 million or 2.6%. The decrease was mainly due to a combination of factors, including (i) an increase in subcontracting charges; and (ii) a decrease in direct staff costs.

Gross profit and gross profit margin

For the three months ended 30 June 2020, gross profit amounted to approximately HK\$8.9 million, which decreased by approximately HK\$0.2 million from approximately HK\$9.1 million for the three months ended 30 June 2019. The decrease in gross profit was mainly due to the decrease in revenue which decreased by approximately HK\$0.3 million as compared with the same period last year. Gross profit margin slightly increased from approximately 55.6% for the three months ended 30 June 2019 to approximately 55.9% for the three months ended 30 June 2020.

Administrative expenses

Administrative expenses decreased from approximately HK\$5.3 million for three months ended 30 June 2019 to approximately HK\$4.9 million for the three months ended 30 June 2020, representing a decrease of approximately HK\$0.4 million or 8.7%. The decrease was mainly due to the decrease in rental expenses relating to short-term leases and staff costs, as compared with the same period last year.

Finance costs

Finance costs increased from approximately HK\$0.4 million for the three months ended 30 June 2019 to approximately HK\$0.5 million for the three months ended 30 June 2020. The increase in finance costs was mainly attributable to additional interest expenses incurred during the three months ended 30 June 2020 on new bank loans of HK\$30 million drawn in September 2019, as compared with the same period last year.

Profit before tax

Profit before tax increased from approximately HK\$3.2 million for the three months ended 30 June 2019 to approximately HK\$4.2 million for the three months ended 30 June 2020, representing an increase of approximately HK\$1.0 million. The increase was mainly due to a combination of factors, including (i) the decrease in revenue of approximately HK\$0.3 million; (ii) an increase in other income of approximately HK\$0.4 million; and (iii) the decrease in administrative expenses of approximately HK\$0.4 million, as compared with the same period of last year.

Income tax

Income tax increased by approximately HK\$0.2 million from approximately HK\$0.4 million for the three months ended 30 June 2019 to approximately HK\$0.6 million for the three months ended 30 June 2020. The increase in income tax was consistent with the increase in profit before tax, which increased by approximately HK\$1.0 million as compared with the same period last year.

Profit and total comprehensive income

Profit and total comprehensive income for the three months ended 30 June 2020 increased by approximately HK\$0.7 million, from approximately HK\$2.9 million for the three months ended 30 June 2019 to approximately HK\$3.6 million. Such increase was mainly attributable to the combined effect of the aforementioned items.

Charges over assets of the Group

As at 30 June 2020, the Group's banking facilities are secured by the Group's key management insurance policies at fair value of approximately HK\$16.5 million.

BUSINESS REVIEW AND PROSPECTS

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

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

Hong Kong's primary residential market remained relatively resilient in recent months surrounded by various social incidents and the COVID-19 outbreak recently. Despite weakening market sentiment, the Company is of the view that the Hong Kong residential market is likely to be supported by relatively low mortgage rates and continuous demand. The Group will closely monitor potential impact of COVID-19 and local social incidents on the Group's businesses and will continue to develop and strengthen its overall competitiveness and business growth in the interior design industry in Hong Kong.

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

SHARE OFFER

As disclosed in the prospectus of the Company dated 4 November 2019 (the "**Prospectus**"), the Company, Messis Capital Limited ("**Messis Capital**") and Kingston Securities Limited entered into the underwriting agreement on 22 November 2018 (as amended and restated on 16 May 2019) (the "**Underwriting Agreement**") in relation to the share offer (the "**Share Offer**") comprising: (i) the public offer of 113,839,925 Shares for subscription by members of the public; and (ii) the preferential offering of 113,839,925 Shares to the qualifying shareholders (the "**Shareholder(s)**") of the Company on an assured basis.

Completion of the Share Offer took place on 13 November 2019. An aggregate of 227,679,850 Shares (the "**Offer Share(s)**") of HK\$0.0001 each with an aggregate nominal value of HK\$22,767.985 were allotted and issued to members of the public and the qualifying Shareholders at the offer price of HK\$0.19 per Offer Share pursuant to the terms and conditions of the Underwriting Agreement. The Offer Shares were allotted and issued pursuant to the specific mandate granted by the independent Shareholders at the extraordinary general meeting of the Company held on 24 June 2019. As disclosed in the Prospectus, the gross proceeds from the Share Offer of approximately HK\$43.2 million would be applied as to (i) approximately HK\$24.7 million for settlement of the professional fees and expenses in relation to the reverse takeover and deemed new listing of the Company including underwriting commission under the Underwriting Agreement; and (ii) the balance of approximately HK\$18.5 million as general working capital of the Company (including but not limited to the repayment of the outstanding amount of loan in excess of approximately HK\$18 million (if necessary) under the investor loan agreement dated 5 December 2017 (as amended and restated on 23 November 2018 and 16 May 2019) and entered into between the Company and Whistle Up Limited.

OTHER INFORMATION

Share Option Scheme

The Company adopted a share option scheme at the annual general meeting of the Company held on 30 July 2012 (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group which will expire on 29 July 2022.

During the three months ended 30 June 2020, no share options were granted, exercised, cancelled, lapsed or forfeited. As at 30 June 2020, there were no outstanding share option.

Directors’ Rights to Acquire Shares of the Company

Save as disclosed in this announcement, at no time during the three months ended 30 June 2020 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations, and none of the Directors or their respective spouses or children under the age of 18 had any right to subscribe for shares of the Company or any of its associated corporations or had exercised any such right during the three months ended 30 June 2020.

Competing Interests of Directors

As at 30 June 2020, none of the Directors, the substantial shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which has or may have significant competition with the business of the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Affiliated Companies

The Group had no material acquisitions or disposals of subsidiaries, associates and affiliated companies during the three months ended 30 June 2020.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the three months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the three months ended 30 June 2020.

Corporate Governance Practices

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

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

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

Throughout the three months ended 30 June 2020 and up to the date of this announcement, other than the deviation from code provision A.2.1, the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

Dividend

The Board does not recommend a payment of any dividend by the Company for the three months ended 30 June 2020.

Interest of the Compliance Adviser

As notified by Messis Capital, the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Messis Capital dated 31 October 2019, neither Messis Capital, its close associates (as defined in the GEM Listing Rules) nor any of its directors, employees has or may have any interest in the Group or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2020.

Audit Committee and Review of Quarterly Results

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

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

The first quarterly results of the Group for the three months ended 30 June 2020 have not been audited. The Audit Committee has reviewed and approved the unaudited condensed consolidated financial information of the Group for the three months ended 30 June 2020 and is of the opinion that the preparation of such information complied with the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Event after the Reporting Period

For the three months ended 30 June 2020, the financial performance of the Group has been affected by the COVID-19 outbreak in the early 2020. A series of precautionary and control measures have been and will continue to be implemented across Mainland China and Hong Kong.

Following to the spread of COVID-19 subsequent to the reporting period to other locations, including but not limited to Asia, management has also taken relevant actions to minimise the unfavourable impact. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and financial performance of the Group.

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

Hong Kong, 7 August 2020

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

This announcement will remain on the website of the GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at www.unionasiahk.com.