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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 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 year ended 31 March 2020:

— Revenue increased from approximately HK$69.8 million for the year ended 31 March 2019 to approximately HK$73.1 million for the year ended 31 March 2020, representing an increase of approximately HK$3.3 million or 4.7%;

— Loss attributable to owners of the Company for the year ended 31 March 2020 decreased by approximately HK$59.8 million, from profit attributable to owners of the Company for the year ended 31 March 2019 of approximately HK$17.2 million to loss attributable to owners of the Company for the year ended 31 March 2020 of approximately HK$42.6 million;

— Basic loss per share for the year ended 31 March 2020 was HK4.55 cents (2019: basic earnings per share was HK2.26 cents); and

— The Board does not recommend the payment of any dividend by the Company for the year ended 31 March 2020 (31 March 2019: nil).

ANNUAL RESULTS

The board of directors (the "**Board**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2020, together with the comparative audited figures for the preceding financial year ended 31 March 2019, as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	**2020** **HK$'000**	2019 HK$'000 (Restated)
Revenue	4	**73,088**	69,810
Cost of services		**(30,395)**	(28,477)
Gross profit		**42,693**	41,333
Other income		**361**	131
Other (losses)/gains		**(915)**	877
Listing expense	2(d)	**(57,302)**	—
Administrative expenses		**(22,247)**	(20,949)
(Loss)/Profit from operations		**(37,410)**	21,392
Finance costs		**(2,040)**	(1,244)
(Loss)/Profit before tax		**(39,450)**	20,148
Income tax	6	**(3,196)**	(2,982)
(Loss)/Profit and total comprehensive income for the year	7	**(42,646)**	17,166
(Loss)/Earnings per share	9		
Basic		**HK(4.55) cents**	HK2.26 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	**2020** **HK$'000**	2019 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**1,104**	2,433
Right-of-use assets		**4,741**	—
Financial assets at fair value through profit or loss		**16,454**	8,921
Deferred tax assets		**6**	—
		22,305	11,354
Current assets			
Contract cost assets		—	254
Contract assets		**14,380**	17,891
Trade and other receivables	10	**18,086**	17,287
Current tax assets		**1,080**	1,713
Bank and cash balances		**58,138**	20,258
		91,684	57,403
Current liabilities			
Contract liabilities		**4,752**	7,596
Trade and other payables	11	**4,042**	3,616
Amounts due to directors		—	43
Amount due to the holding company		—	50
Current tax liabilities		**4,019**	3,770
Lease liabilities		**3,461**	—
Bank loans		**49,934**	33,076
		66,208	48,151
Net current assets		**25,476**	9,252
Total assets less current liabilities		**47,781**	20,606

	Note	2020 HK$'000	2019 HK$'000 (Restated)
Non-current liabilities			
Lease liabilities		**1,340**	—
Deferred tax liabilities		**17**	136
		1,357	136
NET ASSETS		**46,424**	20,470
Capital and reserves			
Share capital	12	**122**	273,216
Reserves		**46,302**	(252,746)
TOTAL EQUITY		**46,424**	20,470

NOTES

For the year ended 31 March 2020

1. GENERAL INFORMATION

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

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

In the opinion of the directors of the Company, as at 31 March 2020, Whistle Up Limited ("**Whistle Up**"), a company incorporated in the British Virgin Islands, is the immediate and ultimate holding company and Mr. Chan Norman Enrique ("**Mr. Norman Chan**") is the ultimate controlling party of the Company.

The consolidated financial statements for the year ended 31 March 2020 are 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

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

Restructuring

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

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

(a) The assets and liabilities of Absolute Surge Group were recognised and measured at their carrying amounts.

(b) The identifiable assets and liabilities of the Company were recognised and measured initially at their fair values at the completion date of the Reverse Takeover.

(c) The deemed acquisition cost for obtaining control over the Company by Absolute Surge was determined using the fair value of the issued shares of the Company immediately before the completion of the Reverse Takeover, being 461,052,631 shares of the Company in issue at HK$0.19 each (by reference to the offer to certain creditors to convert their debts into shares of the Company (Note 12(b)) and the Company's share offer price (Note 12(d)), both at HK$0.19 per share), equivalent to approximately HK$87,600,000.

(d) The deemed acquisition cost was allocated to the identifiable assets and liabilities of the Company on the basis of their fair values at the completion date. The excess of the deemed acquisition cost over the fair value of the identifiable assets and liabilities of the Company amounting to approximately HK$57,302,000 represented a share-based payment made in exchange for obtaining a listing status which was considered as the cost of the listing and accounted for as an expense in accordance with HKFRS 2 Share-based Payment.

Details of the identifiable assets and liabilities of the Company and the listing expense arising from the Reverse Takeover as at the completion date are as follows:

	HK$'000
Receivables	43,259
Accruals	(11,427)
Amount due to Whistle Up	(1,534)
Total identifiable net assets at fair value	30,298
Fair value of deemed acquisition cost *(Note 2(c))*	87,600
Listing expense	57,302

(e) The retained profits and other equity balances of Absolute Surge Group before the completion of the Reverse Takeover.

(f) The amount recognised as issued equity instruments in the consolidated financial statements was determined by adding the issued equity of Absolute Surge immediately before the completion of the Reverse Takeover and the deemed acquisition cost.

(g) The consolidated statement of profit or loss and other comprehensive income for the year reflected the financial performance of Absolute Surge Group for the whole year and the financial performance of the Company after the completion of the Reverse Takeover.

Reorganisation

Prior to the incorporation of Absolute Surge and the completion of the reorganisation (the "**Reorganisation**") as described below, the Business was carried out by BTR (ASIA) LIMITED ("**BTR Asia**"), BTR (HK) LIMITED ("**BTR HK**"), BTR (INTL) LIMITED ("**BTR Intl**") and BTR WORKSHOP LIMITED ("**BTR Workshop**") (collectively the "**Operating Companies**"). The Operating Companies were collectively controlled by Mr. Norman Chan throughout the years presented.

The main steps of the Reorganisation are summarised as follows:

On 26 April 2019, Mr. Norman Chan transferred 8,000 shares of BTR Asia, representing the entire issued share capital of BTR Asia to Absolute Surge and in return, Absolute Surge allotted and issued one share of Absolute Surge credited as fully paid to Whistle Up under the instruction of Mr. Norman Chan on 26 April 2019. Upon completion of the above shares transfer, BTR Asia became a wholly-owned subsidiary of Absolute Surge.

On 26 April 2019, Mr. Norman Chan and Mr. Lee Alex Kam-fai respectively transferred 950 shares and 50 shares of BTR HK, representing the entire issued share capital of BTR HK to Absolute Surge and in return, Absolute Surge allotted and issued two shares of Absolute Surge credited as fully paid to Whistle Up under the instructions of Mr. Norman Chan and Mr. Lee Alex Kam-fai on 26 April 2019. Upon completion of the above shares transfer, BTR HK became a wholly-owned subsidiary of Absolute Surge.

On 26 April 2019, Mr. Norman Chan transferred 10,000 shares of BTR Intl, representing the entire issued share capital of BTR Intl to Absolute Surge and in return, Absolute Surge allotted and issued one share of Absolute Surge credited as fully paid to Whistle Up under the instruction of Mr. Norman Chan on 26 April 2019. Upon completion of the above shares transfer, BTR Intl became a wholly-owned subsidiary of Absolute Surge.

On 26 April 2019, Mr. Norman Chan and Ms. Kwok Lai Yi Susanna respectively transferred 199,999 shares and one share of BTR Workshop, representing the entire issued share capital of BTR Workshop to Absolute Surge and in return, Absolute Surge allotted and issued two shares of Absolute Surge credited as fully paid to Whistle Up under the instructions of Mr. Norman Chan and Ms. Kwok Lai Yi Susanna on 26 April 2019. Upon completion of the above shares transfer, BTR Workshop became a wholly-owned subsidiary of Absolute Surge.

Pursuant to the Reorganisation, the Operating Companies together with the Business were transferred to Absolute Surge on 26 April 2019. Absolute Surge has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management of such business and the ultimate controlling owner of the Business remain the same throughout the years presented. Accordingly, the consolidated financial statements of Absolute Surge are using the carrying values of the Business for the years presented.

Change of functional currency

Upon completion of the Reverse Takeover, the Company changed its functional currency from United States dollars to HK$ because, in the opinion of the directors of the Company, HK$ reflects the underlying transactions, events and conditions that are relevant to the Company. The change in the Company's functional currency has been accounted for prospectively from 13 November 2019.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases ("**HKFRS 16**"), and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments 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 or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases ("**HKAS 17**"), and the related interpretations, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("**HK(IFRIC)-Int 4**"), HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

The Group has initially applied HKFRS 16 from 1 April 2019 using the modified retrospective approach, under which the comparative information presented for the year ended 31 March 2019 has not been restated. The reclassification and the adjustments arising from HKFRS 16 are recognised in the opening balance sheet on 1 April 2019.

(a) Definition of a lease

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

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

(b) As a lessee

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

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

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

The recognised right-of-use assets relate to the following types of assets:

	As at	
	31 March 2020	1 April 2019
	HK$'000	HK$'000
Office premises	**3,051**	7,119
Office equipment	**1,690**	1,540
Total right-of-use assets	**4,741**	8,659

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

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

(i) Not to recognise right-of-use assets and lease liabilities for leases with less than 12 months as of the date of initial application of HKFRS 16.

(ii) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(iii) Used hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on transition

The change in accounting policies affected the following items on the consolidated statement of financial position of the Group (increase/(decrease)) as at 1 April 2019 is summarised below.

	As at 1 April 2019 HK$'000
Non-current assets	
Right-of-use assets	8,659
Current assets	
Prepayments	(19)
Total assets	8,640
Current liabilities	
Lease liabilities	4,420
Non-current liabilities	
Lease liabilities	4,220
Total liabilities	8,640

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

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

	As at 1 April 2019 HK$'000
Operating lease commitment as at 31 March 2019	5,801
Less: Commitments relating to leases exempt from capitalisation (short-term and other leases with remaining lease term ended on or before 31 March 2020)	(1,083)
Add: Adjustments as a result of a different treatment of extension options	4,197
Less: Total future interest expenses	(275)
Present value of remaining lease payments, discounted using the incremental borrowing rates as at 1 April 2019	8,640
Of which are:	
Current lease liabilities	4,420
Non-current lease liabilities	4,220
Lease liabilities recognised as at 1 April 2019	8,640

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

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial performance and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply for the year ended 31 March 2020.

	Amounts reported under HKFRS 16	Adjustments related to operating leases as if under HKAS 17 instead of HKFRS 16	Hypothetical amounts for the year ended 31 March 2020 as if under HKAS 17
	HK$'000	HK$'000	HK$'000
Financial performance impacted by the adoption of HKFRS 16:			
Loss from operations	(37,410)	(138)	(37,548)
Finance costs	(2,040)	198	(1,842)
Loss before tax	(39,450)	60	(39,390)
Income tax	(3,196)	(9)	(3,205)
Loss for the year	(42,646)	51	(42,595)
Line items in the consolidated statement of cash flows impacted by the adoption of HKFRS 16:			
Cash generated from operations	15,565	(4,571)	10,994
Interest on leases liabilities	(198)	198	—
Net cash generated from operating activities	12,928	(4,373)	8,555
Principal element of lease payments	(4,373)	4,373	—
Net cash generated from financing activities	33,275	4,373	37,648

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39, and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 16 COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

	2020	2019
	HK$'000	HK$'000
Interior design and execution services	**71,953**	69,000
Colour-rendering services	**503**	460
Handling services	**632**	350
	73,088	69,810

5. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on interior design and execution services. This operating segment has been identified on the basis of internal reports, prepared in accordance with accounting policies which conform with HKFRSs, that are regularly reviewed by the chief operating decision maker (the "**CODM**"), the directors of the Company. The CODM is responsible for making decision about resources allocation. The information provided to the CODM is the same as those disclosed in the consolidated financial statements. Accordingly, no reportable segment information is presented.

Geographical information:

Information about the Group's revenue from external customers is presented based on the location of the projects:

	2020	2019
	HK$'000	HK$'000
Hong Kong	**67,703**	61,513
Japan	**874**	1,649
Macau	**804**	675
Mainland China	**2,720**	826
Malaysia	**—**	73
Philippines	**586**	3,594
Sri Lanka	**65**	500
Thailand	**336**	980
	73,088	69,810

All the Group's non-current assets are located in Hong Kong.

6. INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong Profits Tax	**3,310**	3,136
PRC Corporate Income Tax	**11**	—
	3,321	3,136
Deferred tax		
Origination and reversal of temporary differences	**(137)**	(141)
Impact of change in tax rate	**12**	(13)
	(125)	(154)
	3,196	2,982

7. (LOSS)/PROFIT FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000
Employee benefit expense	**33,951**	35,483
Contract cost assets recognised as expenses	**254**	518
Depreciation of property, plant and equipment	**1,248**	1,481
Depreciation of right-of-use assets	**4,459**	—
Rental expenses relating to short-term leases	**453**	—
Subcontracting charges	**5,149**	1,124
Operating lease charges for leases previously classified as operating leases under HKAS 17		
— Land and buildings	**—**	5,283
— Office equipment	**—**	391

8. DIVIDENDS

The Board does not recommend a payment of any dividend by the Company for the year.

	2020 HK$'000	2019 HK$'000
Interim dividends	**19,000**	18,000

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

The number of shares ranking for dividends and the dividends per share are not presented as such information is not meaningful for the purpose of this annual results announcement.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to the owners of the Company for the year are based on the following:

	2020 HK$'000	2019 HK$'000
(Loss)/Earnings		
(Loss)/Profit attributable to owners of the Company	**(42,646)**	17,166

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	**936,359**	760,000

The weighted average number of shares used for the purpose of calculating basic loss per share for the year ended 31 March 2020 is determined by reference to Absolute Surge's weighted average number of shares outstanding multiplied by the exchange ratio established in the Reverse Takeover and the weighted average total actual shares of the Company in issue after the completion of the Reverse Takeover.

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 March 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 (loss)/earnings per share for the years ended 31 March 2020 and 2019 has been presented as there were no potential dilutive shares outstanding.

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables	**16,296**	15,435
Prepayments, deposits and other receivables	**1,790**	1,852
	18,086	17,287

The aging analysis of trade receivables based on invoice date is as follows:

	2020	2019
	HK$'000	HK$'000
Within 30 days	**8,138**	12,161
31–60 days	**3,916**	1,727
61–90 days	**2,367**	728
91–180 days	**1,755**	120
181–365 days	**120**	699
	16,296	15,435

Trade receivables as at 31 March 2020 are either subsequently settled or there has not been a significant change in credit quality.

Trade receivables are generally due within 30 to 60 days from the date of billing. The Group does not hold any collateral over these balances. Trade receivables are non-interest bearing. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

The Group applies the simplified approach to provide for expected credit losses which permits the use of the lifetime expected credit losses for all trade receivables. As at 31 March 2020, the expected losses rate for customers is minimal, given there is no history of significant defaults from customers. Therefore, there is no loss allowance for trade receivables was recognised.

11. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**138**	—
Accruals and other payables	**3,904**	3,616
	4,042	3,616

Trade payables as at 31 March 2020 are due within 14 days from the date of billing.

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

	2020 HK$'000	2019 HK$'000
Within 30 days	**138**	—

12. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
At 1 April 2018 and 31 March 2019			
Ordinary shares of HK$0.08 each		31,250,000,000	2,500,000
Capital Reorganisation	(a)	68,750,000,000	(2,490,000)
At 31 March 2020			
Ordinary shares of HK$0.0001 each		**100,000,000,000**	**10,000**
Issued and fully paid:			
At 1 April 2018 and 31 March 2019			
Ordinary shares of HK$0.08 each		3,415,197,762	273,216
Capital Reorganisation	(a)	(3,346,893,807)	(273,209)
Issue of Creditors Shares	(b)	70,331,984	7
Issue of Capitalisation Shares	(c)	94,736,842	9
Issue of shares under Share Offer	(d)	227,679,850	23
Issue of Consideration Shares	(e)	760,000,000	76
At 31 March 2020			
Ordinary shares of HK$0.0001 each		**1,221,052,631**	**122**

Note:

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

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

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

(b) On 13 November 2019, 70,331,984 new shares (the "**Creditors Shares**") of HK$0.0001 each of the Company were issued and allotted for the discharge of the claims under the schemes of arrangement entered into between the Company and certain creditors at the issue price of HK$0.19 each and resulted in an increase in share premium of approximately HK$13,356,000.

(c) On 13 November 2019, 94,736,842 new shares (the "**Capitalisation Shares**") of HK$0.0001 each of the Company were issued and allotted to Whistle Up at the issue price of HK$0.19 each for the settlement of the outstanding loan balance of approximately HK$18,000,000 and resulted in an increase in share premium of approximately HK$17,991,000.

(d) On 13 November 2019, 227,679,850 new shares of HK$0.0001 each of the Company were issued and allotted at the issue price of HK$0.19 each in relation to the Share Offer (as defined below). After deduction of share issue expenses of approximately HK$5,928,000, the premium on the issue of shares under the Share Offer amounting to approximately HK$37,308,000 was credited to the share premium account.

(e) On 13 November 2019, the Company acquired the entire equity interests in Absolute Surge at the consideration of HK$144,400,000, which was satisfied by way of issue and allotment of 760,000,000 new shares (the "**Consideration Shares**") of HK$0.0001 each of the Company to Whistle Up at the issue price of HK$0.19 each.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt, where applicable.

The gearing ratios are as follows:

	2020	2019
	HK$'000	HK$'000
Borrowings	**49,934**	33,169
Lease liabilities	**4,801**	—
Less: cash and cash equivalents	**(58,138)**	(20,258)
Net (cash)/debt	**(3,403)**	12,911
Equity	**46,424**	20,470
Total capital	**43,021**	33,381
Gearing ratio	**N/A**	39%

MANAGEMENT DISCUSSION AND ANALYSIS

The Board announces the annual results of the Group for the year ended 31 March 2020 together with the audited corresponding comparative figures. This information should be read in conjunction with the Prospectus.

FINANCIAL REVIEW

Revenue

Revenue increased from approximately HK$69.8 million for the year ended 31 March 2019 to approximately HK$73.1 million for the year ended 31 March 2020, representing an increase of approximately HK$3.3 million or 4.7%. The increase was mainly attributable to a combination of factors, including (i) the increases in revenue from residentials and show flat and sales office projects; and (ii) a decrease in revenue from commercial projects.

Cost of services

Cost of services for the year ended 31 March 2019 and 2020 amounted to approximately HK$28.5 million and HK$30.4 million, respectively, representing an increase of approximately HK$1.9 million or 6.7%. The increase 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 year ended 31 March 2020, gross profit amounted to approximately HK$42.7 million, which increased by approximately HK$1.4 million from approximately HK$41.3 million for the year ended 31 March 2019. The increase in gross profit was mainly due to the increase in revenue which increased by approximately HK$3.3 million as compared with the same period last year. Gross profit margin decreased from approximately 59.2% for the year ended 31 March 2019 to approximately 58.4% for the year ended 31 March 2020.

Administrative expenses

Administrative expenses increased from approximately HK$20.9 million for the year ended 31 March 2019 to approximately HK$22.2 million for the year ended 31 March 2020, representing an increase of approximately HK$1.3 million or 6.2%. The increase was mainly attributable to the increase in legal and professional fees, which increased by approximately HK$1.9 million, as compared with the same period last year.

Listing expense

The amount of approximately HK$57.3 million recorded during the year ended 31 March 2020 represents the excess of deemed acquisition cost over the fair value of the identifiable assets and liabilities of the Company at date of the completion of the Reverse Takeover. Details of listing expense are set out in Note 2(d) above.

Finance costs

Finance costs increased from approximately HK$1.2 million for the year ended 31 March 2019 to approximately HK$2.0 million for the year ended 31 March 2020. The increase in finance costs was mainly attributable to (i) the increase in interest on lease liabilities by approximately HK$0.2 million during the year ended 31 March 2020; and (ii) additional interest expenses incurred during the year ended 31 March 2020 on new bank loans of HK$30 million drawn in September 2019, as compared with the same period last year.

(Loss)/Profit before tax

Profit before tax decreased from approximately HK$20.1 million for the year ended 31 March 2019 to loss before tax of approximately HK$39.5 million for the year ended 31 March 2020, representing a significant decrease of approximately HK$59.6 million. Such decrease was mainly attributable to the increases in administrative expenses of approximately HK$1.3 million, the non-recurring listing expense of approximately HK$57.3 million and finance costs of approximately HK$0.8 million for the year ended 31 March 2020. Taking out the effect of the non-recurring listing expense, profit before tax would be approximately HK$17.8 million for the year ended 31 March 2020 representing a decrease of approximately HK$2.3 million or 11.4% from approximately HK$20.1 million for the year ended 31 March 2019.

Income tax

Income tax increased by approximately HK$0.2 million or 6.7% from approximately HK$3.0 million for the year ended 31 March 2019 to approximately HK$3.2 million for the year ended 31 March 2020. Such increase was mainly attributable to the increase in revenue which increased by approximately HK$3.3 million as compared with the same period last year.

(Loss)/Profit and total comprehensive income

Loss and total comprehensive income for the year ended 31 March 2020 decreased by approximately HK$59.8 million, from profit attributable to owners of the Company for the year ended 31 March 2019 of approximately HK$17.2 million to loss attributable to owners of the Company for the year ended 31 March 2020 of approximately HK$42.6 million. Such decrease was mainly attributable to the combined effect of the aforementioned items.

Charges over assets of the Group

As at 31 March 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the total borrowings and lease liabilities of the Group was approximately HK$54.7 million (31 March 2019: approximately HK$33.1 million). The Group's borrowings which contain a repayment on demand clause are classified as current liabilities.

As at 31 March 2020, the Group had total assets of approximately HK$114.0 million (31 March 2019: approximately HK$68.8 million), including cash and cash equivalents of approximately HK$58.1 million (31 March 2019: approximately HK$20.3 million).

CURRENT RATIO AND GEARING RATIO

As at 31 March 2020, the Group had a current ratio of approximately 1.4 times (31 March 2019: approximately 1.2 times). Gearing ratio, calculated as net debt (total bank loans and lease liabilities less cash and cash equivalents) divided by total equity, was approximately 39% as at 31 March 2019. Gearing ratio as at 31 March 2020 was not applicable as the Group was in net cash position.

COMMITMENTS

As at 31 March 2020, the Group did not have any material capital commitment (31 March 2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (31 March 2019: Nil).

CAPITAL STRUCTURE

During the year under review, the Company has implemented the reorganisation of the share capital of the Company (the "**Capital Reorganisation**") as follows:

(i) share premium cancellation: the entire amount in the sum approximately of HK$3,661,406,000 standing to the credit of the share premium account of the Company was cancelled to set off against part of the total accumulated losses of the Company;

(ii) share consolidation: every fifty (50) issued shares of HK$0.08 each was consolidated into one (1) consolidated share of HK$4.0 each in the issued share capital of the Company, so there was a total of 68,303,955 consolidated shares in issue upon share consolidation;

(iii) capital reduction: upon share consolidation taking effect, (a) any fractions of shares arising out of the share consolidation were cancelled; and (b) the nominal value of the issued consolidated shares was reduced from HK$4.0 to HK$0.0001 each (the "**Share(s)**") by cancelling the paid-up capital to the extent of HK$3.9999 each, and the total credit of approximately HK$273,208,990 arising therefrom was applied to further set off the accumulated losses of the Company;

(iv) unissued share capital cancellation: upon the capital reduction taking effect, all the authorised but unissued share capital of the Company was 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 was increased to HK$10,000,000 divided into 100,000,000,000 Shares.

Following the implementation of the Capital Reorganisation, the Shares are traded in board lots of 40,000 Shares.

Further, during the year under review, (i) 760,000,000 Shares were allotted and issued to Whistle Up Limited on 13 November 2019 as consideration pursuant to the terms and conditions of the sale and purchase agreement (the "**Acquisition Agreement**") dated 15 September 2017 (as amended and supplemented on 9 November 2017 and 28 June 2018, and as amended and restated on 23 November 2018 and 16 May 2019) and entered into between the Company and Whistle Up Limited in relation to the acquisition of the entire issued share capital of Absolute Surge Limited; (ii) 94,736,842 Shares were allotted and issued to Whistle Up Limited on 13 November 2019 by way of capitalisation pursuant to the terms and conditions of the loan agreement (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; (iii) 70,331,984 Shares were allotted and issued to the Scheme SPC (as defined below) on 13

November 2019 for the settlement of Creditors Schemes consideration and (iv) 227,679,850 Shares were allotted and issued on 13 November 2019 pursuant to the Share Offer (as defined below).

USE OF GROSS PROCEEDS FROM SHARE OFFER

As disclosed in the Prospectus, on 22 November 2018, the Company, Messis Capital Limited and Kingston Securities Limited entered into the underwriting agreement (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 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 aggregate nominal value of HK$22,767.985 were allotted and issued to members of 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 will 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.

The utilisation of the gross proceeds as at 31 March 2020 is set out as follows:

Nature	**Intended use of proceeds**	**Amount of the gross proceeds utilised**	**Balance of the gross proceeds unutilised**
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	HK$24.7 million	HK$24.5 million	HK$0.2 million
General working capital of the Company (including but not limited to the repayment of the outstanding amount of Investor Loan in excess of approximately HK$18 million (if necessary))	HK$18.5 million	HK$2.4 million	HK$16.1 million
Total:	HK$43.2 million	HK$26.9 million	HK$16.3 million

The Company expects to utilise the remaining gross proceeds from the Share Offer as general working capital of the Company within the next financial year ending 31 March 2021. The actual use of proceeds from the Share Offer is consistent with the proposed use of proceeds disclosed in the Prospectus.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

On 15 September 2017, the Company as purchaser entered into the Acquisition Agreement (as amended and supplemented on 9 November 2017 and 28 June 2018, and as amended and restated on 23 November 2018 and 16 May 2019) in relation to the sale and purchase (the "**Acquisition**") of the entire equity interest in Absolute Surge Limited at the consideration of HK$144.4 million, which shall be settled by allotment and issue of 760,000,000 new Shares. The Acquisition constituted a very substantial acquisition and a reverse takeover for the Company under Chapter 19 of the GEM Listing Rules. Further, the Acquisition also constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As such, the Acquisition was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the GEM Listing Rules and approval of the new listing application of the Company by the GEM Listing Committee.

As disclosed in the announcement of the Company dated 13 November 2019, all the conditions precedent to completion of the Acquisition (the "**Acquisition Completion**") had been fulfilled and the Acquisition Completion took place on 13 November 2019. Upon the Acquisition Completion, 760,000,000 new Shares were allotted and issued to Whistle Up Limited, and Absolute Surge Limited became a wholly-owned subsidiary of the Company.

As part of the proposed restructuring of the Group, on 13 November 2019, the Company transferred (the "**Disposal**") its interests in all of its then subsidiaries (the "**Schemes Companies**") immediately prior to Acquisition Completion to a special purpose vehicle (the "**Scheme SPC**") incorporated and held by the scheme administrator of the schemes of arrangement (the "**Creditors Schemes**") entered into between the Company and its creditors pursuant to Sections 666 to 675 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) and Section 86 of the Companies Law (2018 Revision) of the Cayman Islands. Upon completion of the Disposal, all of the Schemes Companies ceased to be subsidiaries of the Company.

DEBT RESTRUCTURING AND REDEMPTION OF CONVERTIBLE BONDS

As part of the proposed restructuring of the Group, the Company and its creditors entered into the Creditors Schemes pursuant to Sections 666 to 675 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) and Section 86 of the Companies Law (2018 Revision) of the Cayman Islands, which become effective upon the filing of the court orders sanctioning the Creditors Schemes with the relevant companies registries in Hong Kong and the Cayman Islands respectively on 13 November 2019.

Upon the Creditors Schemes becoming effective, the 5-year convertible bonds in an aggregate principal amount of US$50,000,000 and bear interest at the rate of 2% per annum issued on 12 May 2015 which would expire on 12 May 2020 and convertible into 225,433,526 shares of the Company immediately prior to the Capital Reorganisation having become effective, were cancelled in full.

LITIGATION

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

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

The Hong Kong Writs are in relation to the repayment of a loan facility originally advanced by Kesterion to the Company. On 4 November 2016, the Company was notified by CAAL that CAAL and Kesterion had entered into a deed of assignment on 31 October 2016 pursuant to which all loan facility originally advanced by Kesterion were assigned to CAAL.

The Company filed its defence for both actions on 25 January 2018. Kesterion filed its reply for both actions on 22 February 2018.

On 5 March 2018, by consent, the Court ordered that these two actions be consolidated, and that under the consolidated action, Kesterion is the Plaintiff while CAAL and the Company are the 1st Defendant and the 2nd Defendant, respectively. On 28 June 2018, CAAL filed its defence for the consolidated action.

Pursuant to the consent order dated 28 February 2020, it was ordered, among others, that (i) the consolidated action commenced by the Hong Kong Writs be discontinued against the Company and CAAL on the condition that Kesterion be precluded from bringing the same and/or substantially the same cause of action; and (ii) there be no order as to cost.

Save as discussed above, during the year ended 31 March 2020, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

RESUMPTION OF TRADING

During the year under review, the Company completed a series of corporate exercises including, but not limited to, the Capital Reorganisation, the Creditors Schemes, the Acquisition, the Disposal and the Share Offer. Accordingly, the resumption conditions of the Company were fulfilled on 13 November 2019 and the trading of Shares was resumed on 14 November 2019.

FOREIGN EXCHANGE RISK

The Group is mainly exposed to the foreign exchange risk of US$, RMB, Japanese yen and New Taiwan dollars. Under the pegged exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial as all US$ denominated monetary assets and liabilities are held by group entities having HK$ as their functional currency. For RMB, Japanese yen and New Taiwan dollars, as the amount involved is insignificant, the foreign currency risk arising from RMB, Japanese yen and New Taiwan dollars is immaterial.

CREDIT RISK

The Group's credit risk is primarily attributable to its key management insurance policies, trade and other receivables, contract assets and bank balances. The Group's credit risk on key management insurance policies held and bank balances is limited since the counterparty is a top-tier financial service provider with good reputation and banks with high credit-ratings. In respect of trade receivables and contract assets, individual credit evaluations are performed on all customers, which focus on the customer's reputation and past history of making payments. In addition, management reviews the recoverable amount of each individual trade debt and contract asset regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. For other receivables, management makes periodic individual and collective assessments on the recoverability of other receivables based on historical settlement records and past experience. In this regard, the Group's credit risk is significantly reduced.

LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

INTEREST RATE RISK

The Group's exposure to interest-rate risk arises primarily from its bank loans. These bank loans bear interests at variable rates varied with the then prevailing market condition.

EMPLOYEES

As at 31 March 2020, the Group had 67 employees (as at 31 March 2019: 81 employees). Total staff costs for the year ended 31 March 2020 amounted to approximately HK$34.0 million (for the year ended 31 March 2019: approximately HK$35.5 million). Their remuneration, promotion and salary review are assessed based on each employee's qualifications, relevant experience, position and seniority. The employees in Hong Kong joined the mandatory provident fund scheme.

SIGNIFICANT INVESTMENT

Apart from the Acquisition, the Group has the following investment during the year ended 31 March 2020:

The Group entered into a key management life insurance policy with investment elements at a single premium of approximately HK$8,054,000 during the year ended 31 March 2020. The investment is classified under financial assets at fair value through profit or loss. As at 31 March 2020, the fair value of this key management life insurance policy amounted to approximately HK$8,169,000.

The Group is entitled to interest at a rate of 5% per annum applied on the balance of the cash value for two years from the date of the payment of the premium. Commencing from the third year, the interest rate for the policy is 1.25% per annum plus a premium determined by the insurance company on an annual basis. After the first ten policy years, no guaranteed minimum interest rate is applied on the cash value.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

DIVIDENDS

The Board does not recommend the payment of any dividend by the Company for the year ended 31 March 2020 (31 March 2019: nil).

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**"). In the opinion of the Board, other than the deviation from code provision A.2.1, A.6.7, and C.2.5, the Company has complied with the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2020.

Code provision A.2.1 of CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company transfers from this provision as Mr. Chan Norman Enrique acts as the chairman and the chief executive officer during the year under review. In view of Mr. Chan Norman Enrique being one of the founders of BTR WORKSHOP LIMITED, and his responsibilities in overall management and major decision-making, the Board believes that it is in the interests of both the Group and the Shareholders to have Mr. Chan Norman Enrique taking up both roles for effective management and business development.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the independent non-executive Director Dr. Wan Ho Yuen, Terence was unable to attend the Company's annual general meeting held on 30 July 2019.

Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the members of the Audit Committee. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the year ended 31 March 2020.

COMPETING INTERESTS

As at 31 March 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.

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTEREST OF THE COMPLIANCE ADVISER

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

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

The Group is principally engaged in the provision of interior design services to premises including private residences, corporate offices, service apartments, hotels, residential clubhouses, show flats and sales galleries in Hong Kong. The Directors confirm that, during the year under review and up to the date of this announcement, the Group has obtained all the registrations and certificates required for its business operations and had complied in material respects with all applicable laws and regulations which have a significant impact on the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in this announcement, at no time during the year under review 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 year under review.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Pursuant to an agreement dated 22 February 2018 (the "**Tenancy Agreement**") made between BTR (HK) LIMITED, a subsidiary of the Company, and Waldorf Holdings Limited (the "**Landlord**") in respect of the tenancy of office premises for a term of two years commencing from 1 January 2018 to 31 December 2019 with an option to extend the said term for another one year at a monthly rental of HK$348,000. During the year under review, BTR (HK) LIMITED exercised its option to extend the term of the tenancy for a period of one year ending 31 December 2020. During the year ended 31 March 2020, the office rental paid by the Group to the Landlord amounted to approximately HK$4,176,000 (for the year ended 31 March 2019: HK$4,176,000). Mr. Norman Chan, an executive director of the Company, is interested in this transaction to the extent that the Landlord is controlled by him.

Save as disclosed above and elsewhere in this announcement, no Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or its subsidiaries was a party at any time during the year under review.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 July 2012 (the "**Share Option Scheme**"). The principal terms of the Share Option Scheme were summarised in the paragraph headed "Statutory and General Information — F. Share Option Scheme" in Appendix VII to the Prospectus. The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.

During the year ended 31 March 2020, no share options were granted, exercised, cancelled, lapsed or forfeited. As at 31 March 2020, there is no outstanding share option.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 7 August 2020 (the "**2020 AGM**"). For the purpose of determining shareholders' entitlements to attend and vote at the 2020 AGM, the transfer books and the register of members of the Company will be closed from Tuesday, 4 August 2020 to Friday, 7 August 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to establish the right to attend and vote at the 2020 AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 3 August 2020.

CHANGE OF COMPANY SECRETARY

Ms. Hung Wai Man has resigned as a company secretary of the Company at 29 November 2019. Mr. Tang has been appointed as a company secretary of the Company at 29 November 2019.

CHANGE OF AUDITOR

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review the Company's financial information and oversee the Company's financial reporting system, risk management and internal control procedures. The full terms of reference setting out details of duties of the Audit Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company.

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 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.

The annual results of the Company for the year ended 31 March 2020 have been audited. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

For the year ended 31 March 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 continued 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, the management of the Group 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, 23 June 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 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.