
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in State Energy Group International Assets Holdings Limited, you should at once hand this Response Document to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Response Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever arising from or in reliance upon the whole or any part of the contents of this Response Document.



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

**RESPONSE DOCUMENT IN RELATION TO
MANDATORY UNCONDITIONAL CASH OFFER
BY OPTIMA CAPITAL LIMITED
ON BEHALF OF ALWAYS PROFIT DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
ALWAYS PROFIT DEVELOPMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Independent Financial Adviser to the Independent Board Committee



CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM GRAM CAPITAL	14
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION OF THE GROUP	II-1
APPENDIX III — LETTER FROM CHENG & CHENG LIMITED ON THE PROFIT ESTIMATES	III-1
APPENDIX IV — LETTER FROM GRAM CAPITAL ON THE PROFIT ESTIMATES	IV-1

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Response Document shall refer to Hong Kong local time and dates.

Event	Time and Date
Despatch date of the Offer Document and the Form of Acceptance (<i>Note 1</i>).	Monday, 10 September 2018
Offer opens for acceptance (<i>Note 1</i>)	Monday, 10 September 2018
Latest date for the posting of the Response Document (<i>Note 2</i>)	Thursday, 11 October 2018
Latest time and date for acceptance of the Offer on the Extended Closing Date (<i>Note 3 & 4</i>)	not later than 4:00 p.m. on Thursday, 25 October 2018
Announcement of the results of the Offer as at the Extended Closing Date to be published on the website of the Stock Exchange and the Company (<i>Note 3</i>).	not later than 7:00 p.m. on Thursday, 25 October 2018
Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Note 4 & 5</i>)	Monday, 5 November 2018

Notes:

1. The Offer, which is unconditional, is made on the date of posting of the Offer Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Extended Closing Date, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
2. In accordance with the Takeovers Code, the Company is required to post the Response Document within 14 days from the posting of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the closing date by the number of days in respect of which the delay in the posting of the Response Document is agreed. As additional time was required for the finalisation of certain information for inclusion in the Response Document, including the letter from the Independent Financial Adviser, the confirmation of no material change as required by Rule 10.11 of the Takeovers Code, the letter from the Independent Financial Adviser on the profit estimates and the letter from the reporting accountant of the Company on the profit estimates, the Executive had granted a consent for an extension of the deadline for the despatch of the Response Document to a date falling on or before 11 October 2018 pursuant to Rule 8.4 of the Takeovers Code and the Offeror had given consent to an extension of the closing date by the number of days in respect of which the delay in the posting of the Response Document is agreed. Accordingly, the closing date has been extended to the Extended Closing Date.
3. In accordance with the Takeovers Code, where the Response Document is posted after the date on which the Offer Document is posted, the Offer must initially be open for acceptance for at least 28 days following the date on which the Offer Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Thursday, 25 October 2018 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be

EXPECTED TIMETABLE

issued on the website of the Stock Exchange and the Company by 7:00 p.m. on the Extended Closing Date, stating whether the Offer has been further extended, revised or expired. In the event that the Offeror decides to further extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed in accordance with the Takeovers Code.

4. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Extended Closing Date or the date for posting of remittances and it has (i) not been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer or the posting of remittances will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer or the posting of remittances will remain at 4:00 p.m. on the same Business Day.
5. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "5. Right of withdrawal" in Appendix I to the Offer Document.

DEFINITIONS

In this Response Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Offeror from the Vendor pursuant to the Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Agreement”	the sale and purchase agreement dated 22 August 2018 and the entered into among the Vendor, the Receivers and the Offeror in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules and the Takeovers Code (as the context may require)
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which the Stock Exchange is open for the transaction of business
“Company”	State Energy Group International Assets Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 918)
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement which took place on 27 August 2018
“Director(s)”	the director(s) of the Company from time to time
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of such Executive Director
“Extended Closing Date”	Thursday, 25 October 2018, being the extended closing date of the Offer or any subsequent closing date(s) as may be determined and announced by the Offeror with consent of the Executive in accordance with the Takeovers Code
“Form of Acceptance”	the form of acceptance and transfer of Offer Shares in respect of the Offer
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising all three independent non-executive Directors, namely Ms. Ni Lijun, Mr. Shen Guoquan and Mr. Chen Jianjun, established to give a recommendation to the Independent Shareholders in respect of whether the Offer is fair and reasonable and as to acceptance of the Offer
“Independent Shareholders”	the Shareholders other than the Offeror and its ultimate beneficial owner, their respective associates and parties acting in concert with any of them
“Last Trading Day”	22 August 2018, being the date of the Agreement and the last trading day on which the Shares were traded on the Stock Exchange immediately prior to the release of the Offer Announcement
“Latest Practicable Date”	8 October 2018, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Zhang”	Mr. Zhang Jinbing, an executive Director and the legal and beneficial owner of the entire issued share capital of the Offeror and the sole director of the Offeror
“Offer”	the mandatory unconditional cash offer made by Optima Capital, for and on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, on the terms and conditions set out in the Offer Document and in compliance with the Takeovers Code
“Offer Announcement”	the announcement dated 29 August 2018 issued by the Offeror in relation to the Acquisition and the Offer
“Offer Document”	the offer document dated 10 September 2018 issued by the Offeror to all Shareholders in accordance with the Takeovers Code containing, <i>inter alia</i> , details of the Offer, together with the Form of Acceptance
“Offer Period”	has the meaning given to it in the Takeovers Code, being the period commencing from the date of the Offer Announcement (i.e. 29 August 2018) and ending on the Extended Closing Date
“Offer Price”	the cash amount of HK\$0.1601 for each Offer Share payable by the Offeror to the Shareholders accepting the Offer

DEFINITIONS

“Offer Share(s)”	the Share(s) in issue, other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Always Profit Development Limited, a company incorporated in the British Virgin Islands with limited liability, details of which are set out in the paragraph headed “Information on the Offeror” in the Offer Document
“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Receivers”	Messrs. Wong Teck Meng, Chan Pui Sze and Mak Hau Yin, all of Briscoe Wong Advisory Limited, in their capacity as the joint and several receivers over certain assets of the Vendor including the Sale Shares
“Registrar”	the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 28 February 2018, being the date falling six months prior to 29 August 2018 (the date of the Offer Announcement and the commencement of the Offer Period) and ending on and including the Latest Practicable Date
“Response Document”	this response document issued by the Company, which sets out, among others, information relating to the Offer and the Group
“Sale Shares”	a total of 546,448,493 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Vendor”	State Energy HK Limited, a company incorporated in Hong Kong with limited liability (receivers appointed)
“CZK”	Czech Koruna, the lawful currency of the Czech Republic
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“%”	per cent

The English text of this Response Document shall prevail over its Chinese text for the purpose of interpretation.

LETTER FROM THE BOARD



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

Executive Directors:

Mr. Zhou Xinyu

(Chairman and Chief Executive Officer)

Ms. Niu Fang

Mr. Zhang Jinbing

Mr. Chau Tien Hsiang

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in Hong Kong:

Unit 2307 – 10, 23/F

Everbright Centre

108 Gloucester Road

Wanchai

Hong Kong

Independent non-executive Directors:

Ms. Ni Lijun

Mr. Shen Guoquan

Mr. Chen Jianjun

11 October 2018

To the Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY OPTIMA CAPITAL LIMITED
ON BEHALF OF ALWAYS PROFIT DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
ALWAYS PROFIT DEVELOPMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Offer Announcement and the announcement of the Company dated 29 August 2018 made pursuant to Rule 3.2 of the Takeovers Code in which it was announced that the

LETTER FROM THE BOARD

Vendor, the Receivers and the Offeror entered into the Agreement, pursuant to which the Receivers (pursuant to the exercise of their powers as receivers of the Sale Shares) agreed on behalf of the Vendor to sell and the Offeror agreed to purchase the Sale Shares, comprising an aggregate of 546,448,493 Shares and representing approximately 70.47% of the Shares in issue as at the date of the Agreement, for an aggregate cash consideration of HK\$87,431,759.70 (equivalent to approximately HK\$0.1600 per Sale Share). Completion took place on 27 August 2018. Immediately upon Completion, the Vendor ceased to be a Shareholder.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Immediately following Completion, (i) the Vendor ceased to be a Shareholder; and (ii) the Offeror and parties acting in concert with it owned an aggregate of 546,448,493 Shares, representing approximately 70.47% of the Shares in issue as at the date of Completion. Pursuant to Rule 26.1 of the Takeovers Code, immediately following Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Optima Capital, for and on behalf of the Offeror, is making the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all three independent non-executive Directors, namely Ms. Ni Lijun, Mr. Shen Guoquan and Mr. Chen Jianjun, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

As announced on 7 September 2018, Gram Capital had been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer.

The purpose of this Response Document is to provide you with, among other things, (i) information relating to the Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from Gram Capital to the Independent Board Committee in relation to the Offer and as to its acceptance.

THE OFFER

The terms of the Offer summarised below are set out in detail in the Offer Document and the Form of Acceptance. You are recommended to refer to them for further details.

As at the Latest Practicable Date, the Company had 775,406,000 Shares in issue. Save as aforesaid, the Company did not have any outstanding options, derivatives, warrants, or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Offer is made by Optima Capital for and on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in the Offer Document and the Form of Acceptance on the following basis:

The Offer Price

For each Offer Share HK\$0.1601 in cash

The Offer Price of HK\$0.1601 per Offer Share under the Offer is determined based on and is approximately equal to but not lower than the price per Sale Share of approximately HK\$0.1600 acquired by the Offeror under the Agreement.

The Offer is unconditional in all respects.

Comparison of the Offer Price

The Offer Price of HK\$0.1601 per Offer Share represents:

- (a) a discount of approximately 5.27% to the closing price of HK\$0.1690 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 7.13% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1724 per Share;
- (c) a discount of approximately 6.65% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1715 per Share;
- (d) a premium of approximately 173.68% over the audited consolidated net asset value per Share as at 31 March 2018 of approximately HK\$0.0585 (which is calculated by dividing the audited consolidated capital and reserves attributable to the Company's equity holders as at 31 March 2018 of approximately HK\$45,323,000 as shown in the Company's annual report by 775,406,000 Shares in issue as at the Latest Practicable Date); and
- (e) a discount of approximately 48.35% to the closing price of HK\$0.31 per Share on the Stock Exchange on the Latest Practicable Date.

Confirmation of financial resources

As stated in the Offer Document, the Offeror will finance the Offer by a margin loan facility provided by Dongxing Securities (Hong Kong) Company Limited ("**Dongxing**"), which did not hold any relevant securities in the Company as at 7 September 2018, being the latest practicable date as defined in the Offer Document. The loan facility is irrevocable and secured by (a) cash; (b) the Sale Shares; (c) the Shares to be acquired by the Offeror under the Offer; and (d) the shares of other listed companies of which the Offeror is the beneficiary (together the "**Pledged Shares**") deposited in a

LETTER FROM THE BOARD

securities account maintained by the Offeror with Dongxing. It is the term of the loan facility that the loan facility will not be revoked and the loan-to-value ratio for the Pledged Shares will remain unchanged during the period of the loan facility, accordingly any price movement in the Pledged Shares will not affect the availability of the loan facility. Optima Capital, the financial adviser to the Offeror in respect the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for full acceptance of the Offer.

Effects of accepting the Offer

By accepting the Offer, the Shareholders shall sell their Shares free from all encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Offer Document.

Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

INFORMATION OF THE GROUP

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, as well as property investment.

The relevant financial information relating to the Group as required by the Takeovers Code is set out in Appendix I to this Response Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) as at the Latest Practicable Date:

	Immediately prior to Completion		As at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Shareholding (%)</i>	<i>Number of Shares</i>	<i>Shareholding (%)</i>
Offeror	—	0.00	546,448,493	70.47
Vendor	546,448,493	70.47	—	0.00
Other Shareholders	228,957,507	29.53	228,957,507	29.53
Total	775,406,000	100	775,406,000	100

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR AND THE INTENTIONS ON THE COMPANY

Your attention is drawn to the sections headed “Information of the Offeror” and “Intention of the Offeror in relation to the Company” in the “Letter from Optima Capital” of the Offer Document.

In particular, as stated in the Offer Document, the Company had received a letter dated 8 June 2018 from the Listing Division of the Stock Exchange pursuant to which the Listing Division considered that the Company had failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of its Shares on the Stock Exchange. The Listing Division had therefore decided to suspend trading in the Shares under Rule 6.01(3) and place the Company in the first delisting stage pursuant to Practice Note 17 of the Listing Rules (the “**Decision**”). The Company is required to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets as required by Rule 13.24 of the Listing Rules at least 10 business days before 23 November 2018.

On 15 June 2018, the Company had submitted a written request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules.

A review hearing (the “**Review Hearing**”) of the Listing Committee was held on 11 September 2018 to review the Decision. On 18 September 2018, the Company received a letter from the Listing Committee upholding the Decision (the “**Second Letter**”).

Pursuant to Rule 2B.06(2) of the Listing Rules, where the Listing Committee endorses, modifies or varies the Listing Division’s ruling or makes its own ruling, the Company may request that application to be referred to the Listing (Review) Committee again for a second review of the ruling.

Under Rule 2B.08(1) of the Listing Rules, the Company must serve a review request to the secretary of the Listing (Review) Committee within seven business days of receipt of the Listing Committee’s decision.

The Company has considered the Second Letter and submitted a review request to the Listing (Review) Committee for a second review of the Decision on 27 September 2018 pursuant to Rule 2B.06(2) of the Listing Rules (the “**Second Review**”).

On 2 October 2018, the Company received notice from the Listing (Review) Committee that the Second Review is scheduled to be held on 7 November 2018.

The Board hereby reminds the Shareholders and potential investors of the Company that the outcome of the Second Review is uncertain. If the Listing (Review) Committee upholds the Decision in the Second Review, there will be suspension of trading of Shares immediately thereafter under the Listing Rules and the Company will be placed in the first delisting stage pursuant to Practice Note 17 of the Listing Rules.

LETTER FROM THE BOARD

Pursuant to the amendments to the delisting framework under the Listing Rules which came into effect on 1 August 2018, among other powers, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months.

Please refer to the “Letter from Gram Capital” of this Response Document for Gram Capital’s analysis and recommendation in relation to the Decision and Second Review.

As stated in the Offer Document, following the closing of the Offer, the Offeror intends to continue the existing principal business of the Group in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment. The Offeror will conduct a review on the business operations and financial position of the Group and, based on the results of the review and taking into account of the Decision and the outcome of the Review Hearing, formulate a business plan suited for the Group and identify suitable investments and business opportunities for the Group to optimise its growth potential. The Offeror shall also review the management structure and manpower of the Group with a view to better allocating the human resources of the Group in pursuit of the business plan formulated by the Offeror.

As stated in the Offer Document, save for the potential changes to the members of the Board as described below, as at 7 September 2018, being the latest practicable date as defined in the Offer Document, the Offeror has no concrete plan for any acquisition or disposal of the existing assets or business of the Group; and has no intention to discontinue the employment of any employees of the Group or redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

The Board is aware of the Offeror’s intentions in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interest of the Group and the Shareholders as a whole.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

As stated in the Offer Document, the Offeror intended to nominate five new Directors (namely Mr. Zhang, Mr. Chau Tien Hsiang, Ms. Yang Yanli, Mr. Chow Hiu Tung and Mr. Zhao Hangen) to the Board with effect from the time as allowed under the Takeovers Code. Any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. Please refer to the section headed “Proposed Change of Board Composition of the Company” in the “Letter from Optima Capital” of the Offer Document for the biographical details of the proposed Directors.

Mr. Zhang and Mr. Chau Tien Hsiang were subsequently appointed as executive Directors with effect from 12 September 2018.

As at the Latest Practicable Date, the Board comprised four executive Directors, namely Mr. Zhou Xinyu, Ms. Niu Fang, Mr. Zhang and Mr. Chau Tien Hsiang and three independent non-executive Directors, namely Ms. Ni Lijun, Mr. Shen Guoquan and Mr. Chen Jianjun.

Further announcement(s) will be made by the Company regarding changes in the Board composition as and when appropriate.

LETTER FROM THE BOARD

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the “Letter from Optima Capital” contained in the Offer Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange. The Board noted that the sole director of the Offeror and the new Directors appointed and to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

RECOMMENDATIONS

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and so to the acceptance of the Offer.

Gram Capital has been appointed and approved by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

Your attention is drawn to the “Letter from the Independent Board Committee” of this Response Document which sets out its recommendation to the Independent Shareholders in respect of the Offer. Your attention is also drawn to the “Letter from Gram Capital” of this Response Document which contains, among other things, Gram Capital’s advice to the Independent Board Committee in relation to the Offer.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

You are advised to read this Response Document together with the Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Response Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,
For and on behalf of
State Energy Group International Assets Holdings Limited
Zhou Xinyu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Response Document.



STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED 國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

11 October 2018

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY OPTIMA CAPITAL LIMITED
ON BEHALF OF ALWAYS PROFIT DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
ALWAYS PROFIT DEVELOPMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the Response Document dated 11 October 2018 issued by the Company in response to the Offer, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to give recommendations to the Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as they are concerned and as to the acceptance of the Offer.

Gram Capital has been appointed as the Independent Financial Adviser to advise us in this respect. Detail of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the “Letter from Gram Capital” on pages 14 to 25 of the Response Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the Offer Document, the “Letter from the Board” and the additional information set out in the Appendices to the Response Document.

RECOMMENDATIONS

Having taken into account the terms of the Offer and the advice and recommendation from Gram Capital, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders to accept the Offer.

Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Group in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. Furthermore, the Independent Shareholders are recommended to read the full text of the “Letter from Gram Capital” on pages 14 to 25 of the Response Document.

Yours faithfully,
For and on behalf of

Independent Board Committee

Mr. Shen Guoquan

Independent non-executive Directors

Ms. Ni Lijun

Mr. Chen Jianjun

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Response Document.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

11 October 2018

*To: The independent board committee of
State Energy Group International Assets Holdings Limited*

Dear Sir/ Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY OPTIMA CAPITAL LIMITED
ON BEHALF OF ALWAYS PROFIT DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY ALWAYS PROFIT DEVELOPMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Response Document dated 11 October 2018 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Response Document unless the context requires otherwise.

According to the Company's announcement dated 29 August 2018, the Board was informed by the Offeror on 22 August 2018 that the Vendor, the Receivers and the Offeror entered into the Agreement pursuant to which the Receivers agreed, on behalf of the Vendor, to sell and the Offeror agreed to purchase the Sale Shares, for an aggregate cash consideration of HK\$87,431,759.70 (equivalent to approximately HK\$0.1600 per Sale Share).

With reference to the Offer Document, Completion took place on 27 August 2018. Immediately prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it owned an aggregate of 546,448,493 Shares, representing approximately 70.47% of the Shares

LETTER FROM GRAM CAPITAL

in issue as at the date of Completion. Pursuant to Rule 26.1 of the Takeovers Code, immediately following Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

An Independent Board Committee comprising Ms. Ni Lijun, Mr. Shen Guoquan and Mr. Chen Jianjun (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

As at the Latest Practicable Date, we confirm that there is no relationship or interest between Gram Capital and the Company, the Offeror and parties acting in concert with it or any other parties that could affect Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Response Document and the information and representations as provided to us by the Directors (except Ms. Niu Fang for the reasons as stated under the section headed "1. RESPONSIBILITY STATEMENT" in Appendix II to the Response Document (the "Exclusion Reasons")) and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors (except Ms. Niu Fang for the Exclusion Reasons) and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors (except Ms. Niu Fang for the Exclusion Reasons) and the Offeror (where applicable) in the Response Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Response Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors (except Ms. Niu Fang for the Exclusion Reasons) and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' (except Ms. Niu Fang for the Exclusion Reasons) representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

LETTER FROM GRAM CAPITAL

The Directors (except Ms. Niu Fang for the Exclusion Reasons) jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement in Response Document misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Response Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Receivers, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Response Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Offer Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Offer

According to the Offer Document, the Offer is made by Optima Capital, for and on behalf of the Offeror, on the following basis:

For each Offer Share HK\$0.1601 in cash

Further details of the Offer are set out in Appendix I to the Offer Document and the accompanying Form of Acceptance.

LETTER FROM GRAM CAPITAL

As at the Latest Practicable Date, there were 775,406,000 Shares in issue. Based on the Offer Price of HK\$0.1601 per Share, the entire issued share capital of the Company was valued at approximately HK\$124.14 million.

According to the Offer Document, excluding the Sale Shares (i.e. 546,448,493 Shares) acquired by the Offeror under the Agreement and on the basis that there will be no change in the issued share capital of the Company from 7 September 2018 (being the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained in the Offer Document, the “**Offer Document LPD**”) to the Closing Date, a total of 228,957,507 Shares will be subject to the Offer. Accordingly, the maximum cash consideration payable by the Offeror under the Offer will be approximately HK\$36.66 million.

(2) Financial information on the Group

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, as well as property investment.

Set out below is a summary of the audited consolidated financial information on the Group for each of the two years ended 31 March 2018 as extracted from the annual report of the Company for the year ended 31 March 2018 (the “**2017/18 Annual Report**”) (the auditor of the Company issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2018 (“**FY2017/18**”) based on fundamental uncertainty related to going concern of the Group, details are set out in the auditor’s report as contained in the 2017/18 Annual Report):

	For the year ended 31 March 2018	For the year ended 31 March 2017	Change from FY2016/17 to FY2017/18
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Turnover	19,133	112,447	(82.98)
- Export business	13,432	109,018	(87.68)
- Property investment	5,701	3,429	66.26
Gross profit	6,427	29,905	(78.51)
Profit/ (loss) for the year	10,916	(12,749)	N/A

As depicted from the above table, the Group recorded turnover of approximately HK\$19.13 million for FY2017/18, representing a decrease of approximately 82.98% as compared to that for the year ended 31 March 2017 (“**FY2016/17**”). Turnover from the Group’s export business contributed approximately 70.20% and 96.95% of the Group’s total revenue respectively for FY2017/18 and FY2016/17.

LETTER FROM GRAM CAPITAL

With reference to the 2017/18 Annual Report, the Company faced immense difficulties in obtaining sustainably profitable sales orders from the North American market mainly due to the increase in customers' demand for product design, quality control and product inspection and relatively high indirect costs. The Group's turnover from export business decreased by approximately 87.68% from FY2016/17 to FY2017/18. Due to the increase in the number of properties leased out during FY2017/18, the Group's turnover from property investment increased by approximately 66.26% from FY2016/17 to FY2017/18.

Despite the decrease in turnover, the Group recorded profit of approximately HK\$10.92 million in FY2017/18 as compared to loss in FY2016/17. As advised by the Company, the turnaround in loss position was mainly attributable to the recognition of the gain on fair value (the "**Fair Value Gain**") of certain office units of the Group, which were reclassified from property, plant and equipment/leasehold land to investment properties during FY2017/18.

As further mentioned in the 2017/18 Annual Report, the Group has expanded the export business to African markets since December 2017. The Group would continue to identify suitable customers and expand its sales coverage in Africa, with a view that the African trading business will become a major revenue stream of the export business. The Group has also proactively allocated more resources for its property investment business in order to diversify the Group's existing property portfolio.

With reference to the section headed "4. MATERIAL CHANGE" under Appendix I to the Response Document, the Group's turnover and gross profit for the three months ended 30 June 2018 increased significantly as compared to the corresponding period in 2017. Nevertheless, given the impact of absence in the Fair Value Gain, the Group recorded loss attributable to equity holders of the Company of approximately HK\$6.9 million for the three months ended 30 June 2018 as compared to profit attributable to equity holders of the Company of approximately HK\$36.0 million for the corresponding period in 2017.

With reference to the announcement of the Company dated 11 June 2018 (the "**Decision Announcement**"), the Company has received a letter dated 8 June 2018 from the Stock Exchange (the "**Letter**") pursuant to which the Stock Exchange considers that the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares on the Stock Exchange. The Stock Exchange has therefore decided to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage pursuant to Practice Note 17 to the Listing Rules (the "**Decision**"). Pursuant to the Letter, in view of the Decision, the Company is required to submit a resumption proposal to demonstrate that it has a sufficient level of operations or assets as required by Rule 13.24 on or before 23 November 2018, at least 10 business days before the expiry of the first delisting stage on 7 December 2018. With reference to the announcement of the Company dated 15 June 2018, the Company submitted a written request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review (the "**Review Request**") pursuant to Rule 2B.06(1) of the Listing Rules.

LETTER FROM GRAM CAPITAL

With reference to Practice Note 17 to the Listing Rules, issuers that are unable to comply with Rule 13.24 of the Listing Rules may be suspended either at the request of the issuer or at the direction of the Stock Exchange. Resumption of trading in the securities of these issuers will only be permitted where they are able to demonstrate that they comply with rule 13.24. The Stock Exchange will follow a four-stage procedure (the “**PN17 Procedure**”) as set out below:

- During the initial period of six months following the suspension, the Stock Exchange will monitor developments. The issuer must make periodic announcements of developments under rule 13.24A. At the end of this six month period, the Stock Exchange will determine whether it is appropriate to extend this initial period or to proceed to the second stage.
- The second stage would involve the Stock Exchange in writing to the issuer, drawing attention to its continued failure to meet rule 13.24 and requiring it to submit resumption proposals within the next six months. During this period, the Stock Exchange will continue to monitor developments of the issuer and will require from its directors monthly progress reports. At the end of this period, the Stock Exchange will consider the issuer’s proposals and determine whether it is appropriate to proceed to the third stage.
- Where the Stock Exchange determines to proceed to the third stage, it will announce that the issuer does not have sufficient assets or operations for listing, and impose a deadline (generally six months) for submitting resumption proposals. During the third stage, the issuer would again be required to provide monthly progress reports to the Stock Exchange.
- At the end of the third stage, if no resumption proposals have been received, the listing will be cancelled. Both the Stock Exchange and the issuer concerned would announce this.

With reference to the “Letter from the Board” of the Response Document, a review hearing of the Listing Committee was held on 11 September 2018 to review the Decision. On 18 September 2018, the Company received a letter from the Listing Committee upholding the Decision (the “**Second Letter**”). Pursuant to Rule 2B.06(2) of the Listing Rules, where the Listing Committee endorses, modifies or varies the Listing Department of the Stock Exchange’s ruling or makes its own ruling, the Company may request that application to be referred to the Listing (Review) Committee again for a second review of the ruling. Under Rule 2B.08(1) of the Listing Rules, the Company must serve a review request to the secretary of the Listing (Review) Committee within seven business days of receipt of the Listing Committee’s decision. The Company considered the Second Letter and submitted a review request to the Listing (Review) Committee for a second review of the Decision on 27 September 2018 pursuant to Rule 2B.06(2) of the Listing Rules (the “**Second Review**”). On 2 October 2018, the Company received notice from the Listing (Review) Committee that the Second Review is scheduled to be held on 7 November 2018.

The outcome of the Second Review is uncertain. If the Listing (Review) Committee upholds the Decision in the Second Review, there will be suspension of trading in the Shares immediately thereafter and the Company will be placed in the first delisting stage pursuant to Practice Note 17 to the Listing Rules.

LETTER FROM GRAM CAPITAL

If the Company is placed into first delisting stage pursuant to Practice Note 17 to the Listing Rules by the Stock Exchange, the Company's listing status may be cancelled after the PN17 Procedure as aforementioned.

With reference to the "Letter from the Board" of the Response Document, pursuant to the amendments to the delisting framework under the Listing Rules which came into effect on 1 August 2018, among other powers, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months.

(3) Information on the Offeror

To provide Independent Shareholders with basic information on the background of the Offeror, set out below is the key information on the Offeror as extracted from the "Letter from Optima Capital" of the Offer Document:

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Zhang.

Mr. Zhang, aged 46, is the sole shareholder and director of the Offeror. Mr. Zhang is the controlling shareholder of Chong Kin Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1609) ("**Chong Kin**") holding 75% of the issued share capital of Chong Kin. Further, Mr. Zhang is a shareholder of WE Solutions Limited (a company listed on the Main Board of the Stock Exchange and formerly known as Ming Fung Jewellery Group Limited and O Luxe Holdings Limited, stock code: 860) ("**WE Solutions**") holding approximately 0.04% of the issued share capital of WE Solutions. He has held directorship in a number of companies listed on the Stock Exchange, including Chong Kin and WE Solutions.

(4) Intentions of the Offeror in relation to the Group

To provide Independent Shareholders with information on the intentions of the Offeror, set out below is the Offeror's intentions on the Group's business and Board composition as extracted from the "Letter from Optima Capital" of the Offer Document:

Following the close of the Offer, the Offeror intends to continue the existing principal business of the Group in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment. The Offeror will conduct a review on the business operations and financial position of the Group and, based on the results of the review and taking into account of the Decision and the outcome of the Review Request, formulate a business plan suited for the Group and identify suitable investments and business opportunities for the Group to optimise its growth potential. The Offeror shall also review the management structure and manpower of the Group with a view to better allocating the human resources of the Group in pursuit of the business plan formulated by the Offeror.

As at the Offer Document LPD and based on information disclosed by the Company in the official website of the Stock Exchange, the Board comprised Mr. Zhou Xinyu and Ms. Niu Fang as executive Directors; and Ms. Ni Lijun, Mr. Shen Guoquan and Mr. Chen Jianjun as independent non-executive Directors. The Offeror intended to nominate five new Directors to the Board with effect from the time as allowed under the Takeovers Code.

LETTER FROM GRAM CAPITAL

Save for the potential changes to the members of the Board, as at the Offer Document LPD, the Offeror has no current intention or concrete plan for any acquisition or disposal of the existing assets or business of the Group; and has no intention to discontinue the employment of any employees of the Group or redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

For further details, please refer to the sections headed “Intention of the Offeror in relation to the Company” and “Proposed change of Board composition of the Company” in the “Letter from Optima Capital” of the Offer Document.

With reference to announcement of the Company dated 12 September 2018, Mr. Zhang and Mr. Chau Tien Hsiang have been appointed as executive directors of the Company with effect from 12 September 2018. Their biographies are also set out in the section headed “Proposed change of Board composition of the Company” in the “Letter from Optima Capital” of the Offer Document.

(5) The Offer Price

Offer Price comparison

The Offer Price of HK\$0.1601 per Offer Share represents:

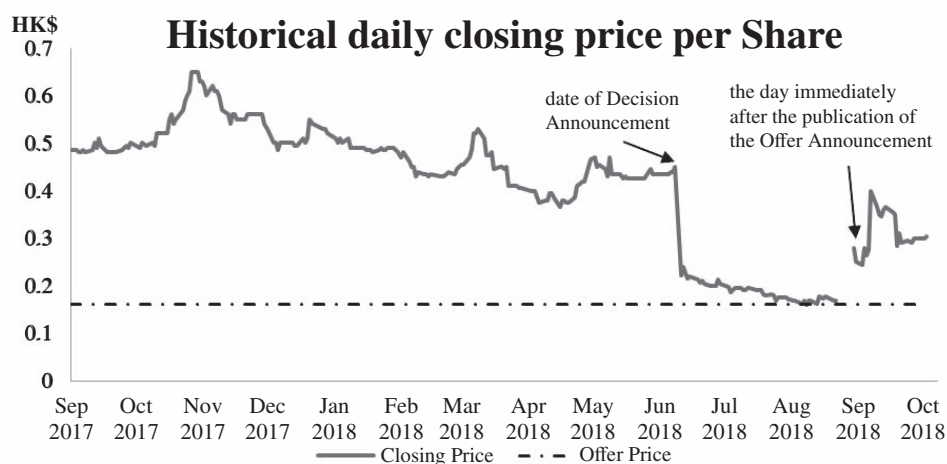
- (i) a discount of approximately 48.35% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 5.27% to the closing price of HK\$0.169 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 7.13% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1724 per Share;
- (iv) a discount of approximately 6.65% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1715 per Share;
- (v) a discount of approximately 5.66% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 15 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1697 per Share;
- (vi) a discount of approximately 8.83% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.1756 per Share; and

LETTER FROM GRAM CAPITAL

(vii) a premium of approximately 173.68% (the “**Premium Over NAV**”) over the audited consolidated net asset value per Share as at 31 March 2018 of approximately HK\$0.0585 (which is calculated by dividing the audited consolidated capital and reserves attributable to the Company’s equity holders as at 31 March 2018 of approximately HK\$45,323,000 as shown in the 2017/18 Annual Report by 775,406,000 Shares in issue as at the Latest Practicable Date).

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 September 2017 up to the Latest Practicable Date (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares.



Source: the Stock Exchange web-site (www.hkex.com.hk)

Note: Trading in Shares was halted from 23 August 2018 to 29 August 2018

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.65 per Share recorded on 27 October 2017 and 30 October 2017 and HK\$0.161 recorded on 8 August 2018 respectively. The Offer Price of HK\$0.1601 falls below the closing price of the Shares as quoted on the Stock Exchange during the entire Review Period.

The closing price of the Shares rose from HK\$0.485 at the start of the Review Period and reached its peak at HK\$0.65 on 27 October 2017 and 30 October 2017. After that, the closing price of the Shares showed a general decreasing trend. The Company published the Decision Announcement before trading hours on 11 June 2018. The closing price of Shares fell from HK\$0.45 on 8 June 2018 to HK\$0.221 on 11 June 2018, which might reflect the market response to the Decision Announcement. The closing price of Shares showed a general decreasing trend since then, reaching HK\$0.169 on 22 August 2018.

Trading in Shares was halted from 23 August 2018 to 29 August 2018. Following the publication of the Offer Announcement by the Offeror on 29 August 2018, the closing price of Shares increased to HK\$0.28 on 30 August 2018.

LETTER FROM GRAM CAPITAL

During the period from the start of the Offer Period and until the Latest Practicable Date, the closing price of Shares ranged between HK\$0.245 and HK\$0.400.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	Number of trading days	Average daily trading volume (the "Average Volume") <i>Number of Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date <i>(Note 2)</i> %
2017				
September	21	455,238	0.20	0.06
October	20	1,878,700	0.82	0.24
November	22	545,909	0.24	0.07
December	19	334,421	0.15	0.04
2018				
January	22	500,000	0.22	0.06
February	18	458,333	0.20	0.06
March	21	946,952	0.41	0.12
April	19	354,000	0.15	0.05
May	21	234,857	0.10	0.03
June	20	4,794,250	2.09	0.62
July	21	415,905	0.18	0.05
August	18	6,767,889	2.96	0.87
September	19	6,139,789	2.68	0.79
October (up to and including the Latest Practicable Date)	5	5,512,800	2.41	0.71
Offer Period				
(up to and including the Latest Practicable Date)	26	9,886,923	4.32	1.28

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Based on 228,957,507 Shares held by the public as at the Latest Practicable Date
2. Based on 775,406,000 Shares in issue as at the Latest Practicable Date
3. Trading in Shares was halted from 23 August 2018 to 29 August 2018

LETTER FROM GRAM CAPITAL

We noted from the above table that the average daily trading volume of the Shares was (i) below 1% of the total number of issued Shares held by the public as at the Latest Practicable Date (except for June 2018, August 2018, September 2018 and October 2018); and (ii) below 1% of the total number of issued Shares as at the Latest Practicable Date (except for October 2018). We also noted that the average trading volume of the Shares increased since the start of the Offer Period (up to and including the Latest Practicable Date). During the Offer Period (up to and including the Latest Practicable Date), the average daily trading volume of the Shares amounted to (i) approximately 4.32% of the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) approximately 1.28% of the total number of issued Shares as at the Latest Practicable Date.

Having considered the factors below (the “**Factors**”):

- (i) the deteriorated financial performance of the Group (i.e. (a) the Group recorded decrease in turnover and gross profit of approximately 82.98% and 78.51% respectively during FY2017/18 as compared to FY2016/17); and (b) although the Group’s turnover and gross profit for the three months ended 30 June 2018 increased significantly as compared to the corresponding period in 2017, the Group still recorded loss attributable to equity holders of the Company of approximately HK\$6.9 million for the three months ended 30 June 2018;
- (ii) that the Second Review is scheduled to be held on 7 November 2018 and the outcome of the Second Review is uncertain;
- (iii) if the Listing (Review) Committee upholds the Decision in the Second Review, there will be suspension of trading in the Shares immediately thereafter and the Company will be placed in the first delisting stage pursuant to Practice Note 17 to the Listing Rules;
- (iv) if the Company is placed into first delisting stage pursuant to Practice Note 17 to the Listing Rules by the Stock Exchange, the Company’s listing status may be cancelled after the PN17 Procedure; and
- (v) that the trading volume of the Shares was relatively thin during most part of the Review Period,

it can be risky for the Independent Shareholders to retain their investment in the Shares as they may end up holding suspended listed shares/unlisted shares (it is more difficult to dispose such shares) of a company which has deteriorated financial performance.

As illustrated under the sub-sections headed “Offer Price comparison” and “Historical price performance of the Shares” above, (a) the Offer Price represented a discount of approximately 48.35% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (b) the Offer Price falls below the closing price of the Shares as quoted on the Stock Exchange during the entire Review Period. Nevertheless, taken into account (i) that having considered the Factors, it can be risky for the Independent Shareholders to retain their investment in the Shares; and (ii) the Premium Over NAV, we consider that the Offer represents an exit opportunity for the Independent Shareholders to realise their investments in the Shares.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Taken into account (i) that having considered the Factors, it can be risky for the Independent Shareholders to retain their investment in the Shares; and (ii) the Premium Over NAV, we consider that the Offer represents an exit opportunity for the Independent Shareholders to realise their investments in the Shares. Accordingly, we consider the terms of the Offer to be fair and reasonable and we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

In view of that (i) the closing price of Shares was substantially above the Offer Price as at the Latest Practicable Date (the Offer Price represented a discount of approximately 48.35% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange as at the Latest Practicable Date); (ii) trading in Shares was not suspended as at the Latest Practicable Date; and (iii) the average daily trading volume of the Shares increased since the start of the Offer Period (up to and including the Latest Practicable Date), providing liquidity for the Shares trading, Independent Shareholders may consider selling their Shares in the open market, as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer.

In addition, the Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intention of Offeror in relation to the Group in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of Offer.

Further terms and conditions of the Offer are set out in the “Letter from Optima Capital” of and Appendix I to the Offer Document.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Offer Document and the Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for each of the three financial years ended 31 March 2018, as extracted from the audited consolidated financial statements of the Group set forth in the published annual reports of the Company for the relevant years.

	For the year ended 31 March		
	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Turnover	19,133	112,447	158,354
Profit/(loss) before taxation	10,957	(10,694)	(23,329)
Income tax (expense)/credit	(41)	(2,055)	(2,264)
Profit/(loss) for the year	10,916	(12,749)	(25,593)
Profit/(loss) for the year attributable to:			
Equity holders of the Company	13,339	(12,749)	(25,593)
Non-controlling interests	(2,423)	—	—
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company	14,475	(12,357)	(25,292)
Non-controlling interests	(1,540)	—	—
Earnings/(loss) per share attributable to equity holders of the Company			
— basic (HK cents)	1.72	(1.64)	(3.30)
— diluted (HK cents)	1.72	(1.64)	(3.30)
Dividend per Share	—	—	—

Notes:

- (1) Save as disclosed in the section headed "Audit Opinion" in this appendix, no modified opinion, emphasis of matter, or material uncertainty relating to going concern was contained in the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2018 had been issued by Cheng & Cheng Limited, the auditor of the Company.
- (2) The Company had no items which are exceptional or extraordinary because of size, nature or incidence in the audited consolidated financial statements of the Group for each of the three years ended 31 March 2018.

AUDIT OPINION

The auditors of the Group issued a disclaimer of opinion in respect of the consolidated financial statements of the Group for the year ended 31 March 2018. Set out below is the disclaimer opinion and its corresponding basis based on the annual report of the Group for the year ended 31 March 2018 (the “**2018 Annual Report**”). Capitalized terms used below have the same meanings as defined in the 2018 Annual Report.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of State Energy Group International Assets Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 46 to 108 which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion**Fundamental Uncertainty Related to Going Concern**

As discussed in note 2.1 to the consolidated financial statements, at 31 March 2018, the Group had net current liabilities of approximately HK\$46,802,000 and operating cash out flow of approximately HK\$37,437,000 for the year ended 31 March 2018. In addition, by reference to the Group’s announcement on 25 April 2018, the immediate parent of the Company which has advanced to the Group for amount of approximately HK\$125,087,000, has received a letter claiming that joint and several receivers of 546,448,493 ordinary shares of the Company (representing 70.47% of the issued share capital of the Company) were appointed. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, may indicate the existence of a material uncertainty that may cast significant doubt on the liquidity position of the Group and the Group’s ability to continue as a going concern.

The validity of the going concern assumption is dependent on the development of the events as described in note 2.1 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2018. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this Response Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 March 2018 (the “**2018 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out on pages 46 to 108 of the 2018 Annual Report of the Company, which was published on 30 July 2018.

The 2018 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk).

Please also see below a quick link to the 2018 Annual Report:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0730/LTN20180730551.pdf>

The 2018 Financial Statements are incorporated by reference into this Response Document and form part of this Response Document.

3. INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Response Document, bank and other borrowings of the Group amounted to approximately HK\$167.5 million, including bank loans of approximately HK\$41.9 million and shareholder’s loans of approximately HK\$125.6 million.

Contingent liabilities

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised at 31 August 2018 amounted to approximately HK\$41.9 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 August 2018 any loan capital issued and outstanding or authorised or otherwise agreed but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, obligation under finance leases, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors (except Ms. Niu Fang for the reason as stated under the section headed “1. RESPONSIBILITY STATEMENT” in Appendix II to this Response Document (the “**Exclusion Reasons**”)) confirm that save as and except for the below, as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2018, being the date to which the last published audited consolidated financial statements of the Company were made up:

- (i) The Group’s turnover and gross profit for the three months ended 30 June 2018 (“**1Q18**”) increased significantly as compared to the three months ended 30 June 2017 (“**1Q17**”) (Turnover - 1Q18: approximately HK\$35.0 million, 1Q17: approximately HK\$1.6 million; Gross profit - 1Q18: approximately HK\$3.5 million, 1Q17: approximately HK\$1.3 million).
- (ii) During 1Q17, certain properties of the Group which were previously used as office, were rented out for rental income. Such properties were then reclassified to investment properties from (a) property, plant and equipment; and (b) leasehold land. Accordingly, gain upon reclassification from leasehold land to investment properties of approximately HK\$47 million was recognised during 1Q17. There was no usage change in the Group’s properties during 1Q18. Therefore, there was no gain upon reclassification from leasehold land to investment properties during 1Q18.
- (iii) The Group recorded loss attributable to equity holders of the Company for 1Q18 of approximately HK\$6.9 million as compared to profit attributable to equity holders of the Company of approximately HK\$36.0 million for 1Q17, mainly due to the net effect of factors (i) and (ii) above.
- (iv) As at 30 June 2018, the Group’s inventories decreased significantly and trade receivables increased significantly as compared to 31 March 2018, mainly due to increase in turnover.
- (v) The Group’s cash and cash equivalents as at 30 June 2018 increased as compared to 31 March 2018, mainly due to increase in bank borrowings. As at 31 August 2018, the Group’s bank borrowings amounted to approximately HK\$41.9 million.
- (vi) Reference is made to the “Letter from the Board” of this Response Document and announcements of the Company dated 11 June 2018, 15 June 2018, 18 September 2018, 19 September 2018 and 2 October 2018. The Listing Division decided to suspend trading in the Shares under Rule 6.01(3) and place the Company in the first delisting stage pursuant to Practice Note 17 of the Listing Rules (i.e. the Decision). The Company submitted a written request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules

on 15 June 2018, and the Review Hearing of the Listing Committee was held on 11 September 2018 to review the Decision. On 18 September 2018, the Company received a letter from the Listing Committee upholding the Decision. On 27 September 2018, the Company submitted a review request to the Listing (Review) Committee for a second review of the Decision pursuant to Rule 2B.06(2) of the Listing Rules (i.e. the Second Review). On 2 October 2018, the Company received notice from the Listing (Review) Committee that the Second Review is scheduled to be held on 7 November 2018.

The aforesaid disclosure (i) to (v) are based on the latest unaudited consolidated management accounts of the Group for 1Q18 (the “**Latest Available Mgt Account**”) and comparison between the Group’s financial positions (a) as at 30 June 2018 and 31 March 2018 (for balance sheet items); and (b) for the three months ended 30 June 2018 and the corresponding period in 2017 (for income statement items) (the “**Mgt Account & Comparative Figures**”). Although the Latest Available Mgt Account of the Group is up to 30 June 2018, the Directors (except Ms. Niu Fang for the Exclusion Reasons) confirm that there is no other factor which may constitute material change in the financial or trading position or outlook of the Group since 31 March 2018 up to and including the Latest Practicable Date.

The aforesaid disclosure (i) to (iii) (the “**Profit Estimates**”) constitute profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. Such reports are issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

The Profit Estimates and Mgt Account & Comparative Figures are prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the annual report of the Company for the year ended 31 March 2018, and the bases set out below. No assumption was involved in the making of the Profit Estimates as the Profit Estimates relate to a period already ended.

- (i) there will be no material changes in existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC and territories in which the Group carries on business;
- (ii) there will be no material changes in legislation or regulations in Hong Kong, the PRC and territories in which the Group carries on business, which may materially affect the business carried on by the Group;
- (iii) there will be no material changes in interest rates and exchange rates from those currently prevailing;
- (iv) there will be no wars, military incidents, pandemic diseases, or natural disasters that would have a material impact on the Group’s businesses and operating activities;
- (v) there will be no material changes in the bases or rates of tax applicable to the activities of the Group or in the bases in Hong Kong, the PRC and territories in which the Group carries on business; and
- (vi) there will be no exceptional nor unforeseeable circumstances that will require provisions to be made by the Group in respect of any contingent liability, litigations, legal proceedings or arbitration threatened or other unexpected losses.

1. RESPONSIBILITY STATEMENT

This Response Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Company and the Offer.

The Directors (except Ms. Niu Fang for the reasons stated below) jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Offeror and the terms of the Offer has been extracted or derived from the Offer Document. The Directors (except Ms. Niu Fang for the reasons stated below) jointly and severally accept full responsibility for the correctness and fairness of the reproduction or presentation of such information.

Ms. Niu Fang, an executive Director, has been uncontactable by the Company and has had no involvement in the operation of the Group since April 2018. During Ms. Niu Fang's absence, her work has been covered by Mr. Zhou Xinyu and her absence has had little impact on the Company's normal course of business. As such, the Company has not been able to seek Ms. Niu Fang's confirmation as to the accuracy and completeness of the information contained in this Response Document.

An application has been made to the Executive pursuant to Rule 9.4 of the Takeovers Code to exclude Ms. Niu Fang from the responsibility statement contained in any documents to be issued by the Company in relation to the Offer, including this Response Document. The Executive has granted such consent.

Under Bye-law 89 of the Bye-laws of the Company, the office of a Director shall be vacated if the Director, among other things, without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated. The Company will continue to evaluate the circumstances in relation to Ms. Niu Fang's absence and in the event that she is absent for six consecutive months or more, the Company will consider to vacate her office as Director at the earliest time as permitted under the Listing Rules, the Takeovers Code and the applicable laws and regulations, and shall make an announcement in that regard.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>3,000,000,000</u> Shares	<u>300,000,000</u>
<i>Issued and fully paid</i>	
<u>775,406,000</u> Shares	<u>77,540,600</u>

Since 31 March 2018 (being the date to which the Company's latest published audited consolidated financial statements were prepared) and up to the Latest Practicable Date, no new Shares had been issued or repurchased by the Company or any of its subsidiaries.

All of the Shares currently in issue are fully paid up and rank pari passu in all respects with each other, including, in particular, as to dividends, voting and capital.

All of the Shares in issue are listed on the Stock Exchange. None of the securities of the Company are listed on or dealt in any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

The Company did not have any other outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(i) Interests of the Directors or chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company, including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange or as required to be disclosed under the Takeovers Code were as follows:

Name	Capacity and nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. Zhang (<i>Note</i>)	Interests held by controlled corporation	546,448,493	70.47%

Note: As at the Latest Practicable Date, Mr. Zhang was the sole shareholder and sole director of the Offeror.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company, including their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange or as required to be disclosed under the Takeovers Code.

(ii) Interests of the substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity and nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Offeror	Beneficial owner	546,448,493	70.47%

Save as disclosed above, the Directors or chief executives of the Company are not aware of any party who, as at the Latest Practicable Date, had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(iii) Other interests

As at the Latest Practicable Date,

- (a) save for Mr. Zhang's interest in the Offeror and the Sale Shares, none of the Company, any member of the Group and any of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and the Offeror;
- (b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company were owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code;
- (c) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company and any Directors had borrowed or lent;
- (d) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer;

- (e) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (f) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) were managed on a discretionary basis by fund managers connected with the Company;
- (g) other than the consideration to be paid under the Agreement, the Vendor or its concert parties had not received and would not receive any other consideration or benefits in whatever form from the Offeror, its ultimate beneficial owner or their respective concert parties; and
- (h) there was no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and the Vendor and parties acting in concert with it on the other hand.

4. DEALING IN SECURITIES OF THE COMPANY

During the Relevant Period,

- (a) neither the Company nor any other Directors (save for Ms. Niu Fang (who is one of the ultimate beneficial owners of the Vendor) and Mr. Zhang (who is the sole shareholder and sole director of the Offeror) who were interested in the Acquisition for which the Vendor and the Offeror are parties) had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (due to the fact that Ms. Niu Fang has been uncontactable by the Company since April 2018 as disclosed in the paragraph headed “1. Responsibility Statement” above, the confirmation in relation to the interest of Ms. Niu Fang is made to the best of the Directors’ knowledge, information and belief and based solely on the Company’s internal records, including the records of the interest in Shares which are required to be notified (i) to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, and (ii) to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules). Mr. Zhang was appointed as an executive Director with effect from 12 September 2018;
- (b) none of the Company, any member of the Group and any of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror (due to the fact that Ms. Niu Fang has been uncontactable by the Company since April 2018 as disclosed in the paragraph headed “1. Responsibility Statement” above, the confirmation in relation to the interest of Ms. Niu Fang is made to the best of the Directors’ knowledge, information and belief and based solely on the Company’s internal records, including the records of the interest in Shares which are required to be notified (i) to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, and (ii) to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules).

- (c) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (d) no person, with whom the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (e) no fund managers connected with the Company had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by the members of the Group within the two years immediately preceding the date of commencement of the Offer Period and up to the Latest Practicable Date:

- (a) the sale and purchase agreement dated 27 June 2018 entered into between Takson (B.V.I.) Limited, a direct wholly-owned subsidiary of the Company, and Mr. Lee Sip Hop, Andrew and Mr. Lee Alexander Chun Lum in relation to the acquisition of 60% of the issued shares in Super X International Limited by Takson (B.V.I.) Limited for a consideration of not more than HK\$10,800,000 (see the Company's announcement dated 28 June 2018 for further details);
- (b) the acquisition agreement dated 21 September 2017 entered into by the Company and CEFC Group (Europe) Company a.s. in relation to the acquisition of the entire registered capital in Le Palais — Praha s.r.o. by the Company at the aggregate consideration of CZK496,100,000 (see the Company's announcement dated 21 September 2017 for further details); and
- (c) the joint venture agreement dated 20 January 2017 entered into by Takson Logistics Limited, a wholly-owned subsidiary of the Company, with 徐州礦務集團有限公司 (Xuzhou Coal Mining Group Limited) in relation to the formation of a joint venture company in the People's Republic of China to be principally engaged in the construction of integrated new

logistics towns covering specific logistics and a series of ancillary urban services to facilitate the transformation of old industrial towns in Eastern China, in which Takson Logistics Limited will contribute RMB11,000,000 of the initial registered capital and own 55% of the joint venture company (see the Company's announcement dated 23 January 2017 for further details).

7. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date,

- (i) none of the Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) save for the Agreement, there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest.

8. DIRECTORS' SERVICE AGREEMENTS

Mr. Chen Jianjun has entered into a service agreement with the Company dated 29 May 2018 in relation to his appointment as an independent non-executive Director for a term of two years commencing on 29 May 2018 and renewable automatically for successive terms of one year. Such appointment is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. On 28 June 2018, Mr. Chen's annual remuneration was revised from HK\$120,000 to HK\$240,000 with effect from 1 July 2018 pursuant to his service contract. Save as such revision of remuneration, there was no change in the terms of Mr. Chen's service contract. There is no other fixed or variable remuneration payable to Mr. Chen under his service contract except the aforesaid items.

Mr. Zhang has entered into a service agreement with the Company regarding his appointment as an executive director of the Company for a fixed term of two years commencing from 12 September 2018 which will be automatically renewed for one year, subject to re-election in accordance with the memorandum of association and the bye-laws of the Company. Pursuant to the service agreement, Mr. Zhang is entitled to a nominal director's remuneration of HK\$1 per annum. He will also be entitled to a discretionary bonus pursuant to the service agreement and at the Board's discretion depending on the Company's performance.

Mr. Chau Tien Hsiang has entered into a service agreement with the Company regarding his appointment as an executive director of the Company for a fixed term of two years commencing from 12 September 2018 which will be automatically renewed for one year, subject to re-election in accordance with the memorandum of association and the bye-laws of the Company. Pursuant to the service agreement, Mr. Chau is entitled to a director's remuneration of HK\$120,000 per annum which

was determined with reference to his experiences and responsibilities with the Group, and will be reviewed by the remuneration committee of the Company annually. He will also be entitled to a discretionary bonus pursuant to the service agreement and at the Board's discretion depending on the Company's performance.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period for 12 months or more; and
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinion or advice contained in this Response Document:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Cheng & Cheng Limited	Certified Public Accountants

Each of Gram Capital and Cheng & Cheng Limited has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its advice or letter, as the case may be, and reference to its name in the form and context in which it is included.

10. GENERAL

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The Company's principal place of business in Hong Kong is at Unit 2307-10, 23/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.
- (iii) The company secretary of the Company is Mr. Au Yeung Ho Yin, who is a Certified Public Accountant in Hong Kong and a graduate member of Hong Kong Institute of Chartered Secretaries.
- (iv) The Hong Kong branch registrar and transfer office of the Company is Tricor Abacus Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (v) The registered office of Gram Capital is at Room 1209, 12/F, Nan Fung Tower, 88 Connaught Road Central/ 173 Des Voeux Road Central, Central, Hong Kong.
- (vi) The English texts of this Response Document shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 2307-10, 23/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.seiah.com) from the date of this Response Document onwards for so long as the Offer remains open for acceptance:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for each of the three financial years ended 31 March 2016, 2017 and 2018;
- (iii) the letter from the Board, the text of which is set out on pages 5 to 11 of this Response Document;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 12 to 13 of this Response Document;
- (v) the letter of advice from Gram Capital to the Independent Board Committee, the text of which is set out on pages 14 to 25 of this Response Document;
- (vi) the letter from Cheng & Cheng Limited on the Profit Estimates, the text of which is set out on pages III-1 to III-2 of this Response Document;
- (vii) the letter from Gram Capital on the Profit Estimates, the text of which is set out on pages IV-1 to IV-3 of this Response Document;
- (viii) the written consent referred to in the paragraph headed “Expert and Consent” of this appendix;
- (ix) the service contracts of Mr. Chen Jianjun, Mr. Zhang and Mr. Chau Tien Hsiang referred to in the section headed “Directors’ Service Agreements” in this appendix;
- (x) the material contracts referred to in the paragraph headed “Material Contracts” of their appendix; and
- (xi) this Response Document.

11 October 2018

The Board of Directors

STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

Unit 2307-10, 23/F,
Everbright Centre,
108 Gloucester Road,
Wanchai, Hong Kong

Dear Sirs,

State Energy Group International Assets Holdings Limited (“**the Company**”)

Profit Estimates for the three months ended 30 June 2018

We refer to the below statements made by the Company under the Response Document (the “**Profit Estimates**”):

- (i) The Group’s turnover and gross profit for the three months ended 30 June 2018 (“**1Q18**”) increased significantly as compared to the three months ended 30 June 2017 (“**1Q17**”) (Turnover - 1Q18: approximately HK\$35.0 million, 1Q17: approximately HK\$1.6 million; Gross profit - 1Q18: approximately HK\$3.5 million, 1Q17: approximately HK\$1.3 million).
- (ii) During 1Q17, certain properties of the Group which were previously used as office, were rented out for rental income. Such properties were then reclassified to investment properties from (a) property, plant and equipment; and (b) leasehold land. Accordingly, gain upon reclassification from leasehold land to investment properties of approximately HK\$47 million was recognised during 1Q17. There was no usage change in the Group’s properties during 1Q18. Therefore, there was no gain upon reclassification from leasehold land to investment properties during 1Q18.
- (iii) The Group recorded loss attributable to equity holders of the Company for 1Q18 of approximately HK\$6.9 million as compared to profit attributable to equity holders of the Company of approximately HK\$36.0 million for 1Q17, mainly due to the net effect of factors (i) and (ii) above.

Directors’ Responsibilities

The Directors (except Ms. Niu Fang for the reasons as stated under the section headed “1. RESPONSIBILITY STATEMENT” in Appendix II to the Response Document (the “**Exclusion Reasons**”)) prepared the Profit Estimates based on the unaudited consolidated management accounts of the Group for 1Q18 with comparative figures for the 1Q17 (the “**Mgt Account & Comparative Figures**”). The Mgt Account & Comparative Figures are prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the annual report of the Company for the year ended 31 March 2018, and the bases as set out in the section headed “4. MATERIAL CHANGE” under Appendix I to the Response Document (the “**Bases**”).

The Company's directors (except Ms. Niu Fang for the Exclusion Reasons) are solely responsible for the Profit Estimates.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

In accordance with the instruction of the directors of the Company (except Ms. Niu Fang for the Exclusion Reasons), we have reviewed the accounting policies adopted and calculations made in arriving at the Profit Estimates, for which the directors of the Company (except Ms. Niu Fang for the Exclusion Reasons) are solely responsible.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors (except Ms. Niu Fang for the Exclusion Reasons) have properly compiled the Profit Estimates in accordance with the bases adopted by the directors (except Ms. Niu Fang for the Exclusion Reasons) and as to whether the Profit Estimates are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled in accordance with the bases made by the directors (except Ms. Niu Fang for the Exclusion Reasons) and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 March 2018.

Yours faithfully,
Cheng & Cheng Limited
Certified Public Accountants
Chan Shek Chi
Practising Certificate number P05540

APPENDIX IV LETTER FROM GRAM CAPITAL ON THE PROFIT ESTIMATES

11 October 2018

The Board of Directors

State Energy Group International Assets Holdings Limited
Unit 2307-10, 23/F.
Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

Dear Sir/ Madam,

Reference is made to the Response Document dated 11 October 2018 issued by the Company. Capitalised terms used in this letter shall have the same respective meanings as defined in the Response Document unless the context otherwise required.

We refer to the below statements made by the Company under the Response Document (the “**Profit Estimates**”):

- (i) The Group’s turnover and gross profit for the three months ended 30 June 2018 (“**1Q18**”) increased significantly as compared to the three months ended 30 June 2017 (“**1Q17**”) (Turnover - 1Q18: approximately HK\$35.0 million, 1Q17: approximately HK\$1.6 million; Gross profit - 1Q18: approximately HK\$3.5 million, 1Q17: approximately HK\$1.3 million).
- (ii) During 1Q17, certain properties of the Group which were previously used as office, were rented out for rental income. Such properties were then reclassified to investment properties from (a) property, plant and equipment; and (b) leasehold land. Accordingly, gain upon reclassification from leasehold land to investment properties of approximately HK\$47 million was recognised during 1Q17. There was no usage change in the Group’s properties during 1Q18. Therefore, there was no gain upon reclassification from leasehold land to investment properties during 1Q18.
- (iii) The Group recorded loss attributable to equity holders of the Company for 1Q18 of approximately HK\$6.9 million as compared to profit attributable to equity holders of the Company of approximately HK\$36.0 million for 1Q17, mainly due to the net effect of factors (i) and (ii) above.

The Profit Estimates constitute profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

The Directors (except Ms. Niu Fang for the reasons as stated under the section headed “1. RESPONSIBILITY STATEMENT” in Appendix II to the Response Document (the “**Exclusion Reasons**”)) prepared the Profit Estimates based on the unaudited consolidated management accounts of the Group for 1Q18 with comparative figures for the 1Q17 (the “**Mgt Account & Comparative Figures**”). The Mgt Account & Comparative Figures are prepared on a basis consistent in all material

APPENDIX IV LETTER FROM GRAM CAPITAL ON THE PROFIT ESTIMATES

respects with the accounting policies normally adopted by the Company as set out in the annual report of the Company for the year ended 31 March 2018, and the bases set out below (the “Bases”). No assumption was involved in the making of the Profit Estimates as the Profit Estimates relate to a period already ended.

- (i) there will be no material changes in existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC and territories in which the Group carries on business;
- (ii) there will be no material changes in legislation or regulations in Hong Kong, the PRC and territories in which the Group carries on business, which may materially affect the business carried on by the Group;
- (iii) there will be no material changes in interest rates and exchange rates from those currently prevailing;
- (iv) there will be no wars, military incidents, pandemic diseases, or natural disasters that would have a material impact on the Group’s businesses and operating activities;
- (v) there will be no material changes in the bases or rates of tax applicable to the activities of the Group or in the bases in Hong Kong, the PRC and territories in which the Group carries on business; and
- (vi) there will be no exceptional nor unforeseeable circumstances that will require provisions to be made by the Group in respect of any contingent liability, litigations, legal proceedings or arbitration threatened or other unexpected losses.

We have reviewed the Profit Estimates, the Mgt Account & Comparative Figures and the Bases which were provided by you and you as the Directors (except Ms. Niu Fang for the Exclusion Reasons) are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimates have been made, we have considered the report as contained in Appendix III to the Response Document addressed to the Board from Cheng & Cheng Limited, being the auditor of the Company. Cheng & Cheng Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled in accordance with the bases made by the Directors (except Ms. Niu Fang for the Exclusion Reasons) and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 March 2018.

Having considered the above, we are of the opinion that the Profit Estimates (including the Bases) have been made with due care and consideration.

APPENDIX IV LETTER FROM GRAM CAPITAL ON THE PROFIT ESTIMATES

We hereby give and have not withdrawn our consent to the issue of the Response Document with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director