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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

The board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2019, together with the comparative figures for the previous year prepared in accordance with the generally accepted accounting principles in Hong Kong as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Turnover	3	96,434	19,133
Cost of sales		(81,459)	(12,706)
Gross profit		14,975	6,427
Other net loss		(697)	—
Other income		434	2,713
Selling, distribution and marketing expenses		(3,023)	(1,932)
Administrative expenses		(32,961)	(44,232)
Gain upon reclassification from leasehold land to investment properties		—	47,227
Loss allowance on trade receivables		(401)	—
Changes in fair value of investment properties		105	6,647
Operating (loss)/profit		(21,568)	16,850
Finance costs	5	(7,778)	(5,893)
(Loss)/profit before taxation	6	(29,346)	10,957
Income tax expense	8	(725)	(41)
(Loss)/profit for the year		(30,071)	10,916
Other comprehensive (expense)/income for the year (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(1,328)	2,019
Release of translation reserve upon disposal of subsidiaries		1,011	—
Total comprehensive (expense)/income for the year		(30,388)	12,935

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(28,249)	13,339
Non-controlling interests		(1,822)	(2,423)
		<u>(30,071)</u>	<u>(2,423)</u>
		<u>(30,071)</u>	<u>10,916</u>
Total comprehensive (expense)/profit attributable to:			
Equity holders of the Company		(28,004)	14,475
Non-controlling interests		(2,384)	(1,540)
		<u>(30,388)</u>	<u>(1,540)</u>
		<u>(30,388)</u>	<u>12,935</u>
(Loss)/earnings per share attributable to equity holders of the Company			
– basic (HK cents)	<i>10</i>	<u>(3.64)</u>	<u>1.72</u>
– diluted (HK cents)	<i>10</i>	<u>(3.64)</u>	<u>1.72</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,405	5,037
Investment properties		156,212	156,107
		<u>157,617</u>	<u>161,144</u>
Current assets			
Inventories		16,001	6,946
Trade receivables	<i>11</i>	39,443	6,312
Deposits, prepayments and other receivables	<i>11</i>	7,321	3,491
Pledged bank deposit		522	550
Cash and cash equivalents		4,543	22,280
		<u>67,830</u>	<u>39,579</u>
Assets classified as held for sale	<i>12</i>	14,339	—
		<u>82,169</u>	<u>39,579</u>
Total assets		<u>239,786</u>	<u>200,723</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		77,540	77,540
Reserves		(54,628)	(32,217)
		<u>22,912</u>	<u>45,323</u>
Non-controlling interests		<u>6,296</u>	<u>8,680</u>
Total equity		<u>29,208</u>	<u>54,003</u>

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings and obligations under finance leases	<i>15</i>	—	223
Amounts due to a shareholder		—	56,269
Deferred tax liabilities		4,358	3,847
		<u>4,358</u>	<u>3,847</u>
		<u>4,358</u>	<u>60,339</u>
Current liabilities			
Trade payables	<i>13</i>	1,828	4,674
Other payables and accrued charges	<i>14</i>	5,221	4,529
Bank borrowings and obligations under finance leases	<i>15</i>	32,972	8,360
Amounts due to a shareholder		95,971	68,818
Amounts due to a related company		69,666	—
Tax payable		214	—
		<u>205,872</u>	<u>86,381</u>
Liabilities directly associated with assets classified as held for sale	<i>12</i>	348	—
		<u>206,220</u>	<u>86,381</u>
Total liabilities		<u>210,578</u>	<u>146,720</u>
Total equity and liabilities		<u>239,786</u>	<u>200,723</u>
Net current liabilities		<u>(124,051)</u>	<u>(46,802)</u>
Total assets less current liabilities		<u>33,566</u>	<u>114,342</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares (the “**Share**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its principal place of business is Units 2307 - 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

During the year ended 31 March 2019, the Group was principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products and property investment.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (which include Hong Kong Accounting Standards (“**HKASs**”) and Interpretations), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosures required by the Rules (the “**Listing Rules**”) governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The Group incurred a net loss of approximately HK\$30,071,000 for the year ended 31 March 2019 and had net current liabilities of approximately HK\$124,051,000 as at 31 March 2019. The directors are taking steps to improve the Group’s liquidity and financial performance including active cost-saving and other measures to improve the Group’s operating cash flows and financial position.

The directors have given careful consideration to the Group’s financial performance and liquidity position. On the basis that the Group’s operating results and cash flows will be improved through the implementation of the measures described above and having considered the Group’s current operation and business plan as well as the currently available banking facilities, the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due in the foreseeable future. Besides, the immediate and ultimate holding company and the ultimate controlling party have agreed to provide continuing financial supports, if necessary, to the Group to meet its obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

There is no material impact on the financial statements of the Group as the new HKFRSs and amendments to HKFRSs were consistent with policies already adopted by the Company except for adoption of the following developments:-

(b) *HKFRS 9, Financial instruments*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

With respect to the financial assets classified as loans and receivables (which were measured at amortised cost) under HKAS 39, the Group has assessed the business model under which the financial assets are managed and its contractual cash flow characteristics, and these financial assets will continue with their respective classification and measurements upon the adoption of HKFRS 9, and the carrying amounts of these financial assets as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in note 2.8 of annual report.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

(ii) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including pledged bank deposit, cash and cash equivalents, trade and other receivables).

For further details on the Group’s accounting policy for accounting for credit losses, see note 2.10 of annual report.

As a result of this change in accounting policy on accounting for credit loss, there is no significant impact to the Group’s financial statements and accordingly no adjustment to the opening balance of accumulated losses and reserves at 1 April 2018 and no restatement to the comparative information are required.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period;

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) *HKFRS 15, Revenue from contracts with customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations.

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios.

HKFRS 15 does not have a significant impact on the financial position and the financial result of the Group upon initial application at 1 April 2018. Comparative information continues to be reported under HKASs 11 and 18.

(d) *HK(IFRIC)-Int 22, Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the nonmonetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of HK(IFRIC)-Int 22 does not have any material impact on the financial position and the financial result of the Group.

(e) Amendments to HKAS 40, Transfers of investment property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

New and amended HKFRSs issued but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of a Material ⁵

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Company has identified some aspects of the new standards which may have a significant impact on the financial statements. As the Company has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products, and property investment. Turnover mainly represents the invoiced value of goods sold and rental income received and receivable. An analysis of turnover other income and other gain/(loss) is as follows:

	2019	2018
	HK\$'000	HK\$'000
Turnover		
Revenue from contracts with customers		
– at point in time		
Sales of goods	90,763	13,432
Revenue from other sources		
Rental income	5,671	5,701
	96,434	19,133
Net other loss		
Loss on disposal of subsidiaries (note 4)	(1,011)	—
Gain on disposal of plant and equipment	332	—
Plant and equipment written off	(18)	—
	(697)	—
Other income		
Interest income	323	345
Sundry income	111	2,368
	434	2,713

The Group operates mainly in Hong Kong and the People's Republic of China ("PRC") and in the following business segments:

Garment business (2018: Export business) — Sales of garments to both local and overseas customers. (2018: Sales of garments to overseas customers.)

Property investment — Investing and letting of properties.

Segment profit or loss represents the profit or loss from each segment without allocation of central administrative costs, finance costs and professional expenses which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade receivables, deposits, prepayments and other receivables. They exclude certain pledged bank deposit, cash and cash equivalents, assets used for corporate functions and assets classified as held for sale.

Segment liabilities consist primarily of trade payables, other payables and accrued charges. They excluded liabilities which are used for corporate functions including tax payable, certain bank borrowings, amounts due to a shareholder, amounts due to a related company and deferred tax liabilities and liabilities directly associated with assets classified as held for sale.

Primary reporting format — Business segments

	Garment business HK\$'000	2019 Property investment HK\$'000	Total HK\$'000
Turnover	<u>90,763</u>	<u>5,671</u>	<u>96,434</u>
Segment operating profit	<u>3,009</u>	<u>5,058</u>	8,067
Unallocated corporate income			438
Unallocated corporate expenses			(29,044)
Plant and equipment written off			(18)
Loss on disposal of subsidiaries			<u>(1,011)</u>
Operating loss			(21,568)
Finance costs			<u>(7,778)</u>
Loss before taxation			(29,346)
Income tax expense			<u>(725)</u>
Loss for the year			<u>(30,071)</u>
Segment assets	57,620	156,700	214,320
Unallocated assets			11,127
Asset classified as held for sale			<u>14,339</u>
Total assets			<u>239,786</u>
Segment liabilities	1,828	1,149	2,977
Unallocated liabilities			4,072
Tax payable			214
Deferred tax liabilities			4,358
Bank borrowings			32,972
Amounts due to a shareholder			95,971
Amounts due to a related company			69,666
Liabilities directly associated with assets classified as held for sale			<u>348</u>
Total liabilities			<u>210,578</u>

	Garment business HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	—	—	449	449
Depreciation of property, plant and equipment	121	—	692	813
Changes in fair value change of investment properties	—	105	—	105
Gain on disposal of plant and equipment	310	—	22	332
Loss on disposal of subsidiaries	—	—	1,011	1,011
Plant and equipment written off	—	—	18	18
Loss allowance on trade receivables	401	—	—	401
			2018	
		Export business HK\$'000	Property investment HK\$'000	Total HK\$'000
Turnover		<u>13,432</u>	<u>5,701</u>	<u>19,133</u>
Segment operating (loss)/profit		<u>(4,753)</u>	<u>58,713</u>	53,960
Unallocated corporate income				2,433
Unallocated corporate expenses				<u>(39,543)</u>
Operating loss				16,850
Finance costs				<u>(5,893)</u>
Profit before taxation				10,957
Income tax expense				<u>(41)</u>
Profit for the year				<u>10,916</u>
Segment assets		15,047	156,255	171,302
Unallocated assets				<u>29,421</u>
Total assets				<u>200,723</u>
Segment liabilities		5,300	9,745	15,045
Unallocated liabilities				<u>131,675</u>
Total liabilities				<u>146,720</u>

	Export business HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	—	—	2,290	2,290
Depreciation of property, plant and equipment	332	—	590	922
Deposits and other receivables written off	1,440	—	107	1,547
Gain upon reclassification from leasehold land to investment properties	—	47,227	—	47,227
Plant and equipment written off	693	666	21	1,380

Secondary reporting format – Geographical segments

	2019	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	52,879	—
Australia	4,381	—
Hong Kong	37,012	115,405
PRC	2,162	42,212
	<u>96,434</u>	<u>157,617</u>
	2018	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	13,000	—
Hong Kong	3,551	114,209
PRC	2,150	46,935
United States of America	432	—
	<u>19,133</u>	<u>161,144</u>

Revenue is allocated based on the country in which the customers are located. Specified non-current assets are allocated based on where the assets are located.

Information about major customers

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group from the garment business (2018: Export business) is as follows:

	2019	2018
	HK\$'000	HK\$'000
Customer A	52,879	13,000
Customer B	15,968	—
Customer C	15,076	—
	<u>83,923</u>	<u>13,000</u>

4. LOSS ON DISPOSAL OF SUBSIDIARIES

During the year, State Energy Capital Limited, Global Sportswear Inc., State Energy Finance Limited, State Energy Properties Investment (Europe) Holdings Limited, Takson Sourcing Limited, Takson Warehouse Limited, in which the Group had effective interest of 100%, were disposed of. The total consideration was HK\$6.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the date of disposal were as follows:

	2019
	HK\$'000
Cash and cash equivalents	114
Other receivables and repayments	58
Other payables and accruals	(172)
	<u>—</u>
Release of translation reserve upon disposal of subsidiaries	1,011
Loss on disposal	(1,011)
	<u>—</u>
Consideration satisfied by cash	<u>—</u>
Net cash outflow arising on disposal:	
Cash consideration	—
Less: Cash and cash equivalents disposed of	(114)
	<u>(114)</u>

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

5. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank loans and overdrafts	1,510	1,115
Interest element of finance lease obligations	7	16
Interest on loans from a shareholder	764	4,762
Interest on loans from a related company	5,379	—
Interest on other loan	118	—
	<u>7,778</u>	<u>5,893</u>

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting) the following:

	2019 HK\$'000	2018 HK\$'000
Cost of inventories sold	81,459	12,706
Auditor's remuneration	630	510
Deposits and other receivables written off	—	1,547
Depreciation	813	922
Loss allowance on trade receivables	401	—
Gain upon reclassification from leasehold land to investment properties	—	(47,227)
Changes in fair value of investment properties	(105)	(6,647)
Legal and professional fees	8,182	7,193
Plant and equipment written off	18	1,380
Net exchange loss/(gain)	361	(132)
Operating lease rentals in respect of land and buildings	3,725	3,924
Rental receivables from investment properties less direct outgoings	(5,453)	(5,535)
Staff costs, including directors' emoluments	16,295	20,956
Gain on disposal of plant and equipment	(332)	—
Loss on disposal of subsidiaries	1,011	—

7. STAFF COSTS

	2019 HK\$'000	2018 HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	15,625	20,223
Retirement benefit costs	670	733
	<u>16,295</u>	<u>20,956</u>

8. INCOME TAX

- (a) The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK\$'000	2018 HK\$'000
Current tax - Hong Kong	214	—
Deferred tax		
Tax losses utilized/(recognized)	374	(817)
Origination and reversal of temporary differences	137	858
	<u>725</u>	<u>41</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

- (b) At the end of the reporting period, the Group has unused tax losses of approximately HK\$141,860,000 (2018: approximately HK\$188,568,000) available for offset against future profits that may be carried forward indefinitely.

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	2019	2018
	HK\$'000	HK\$'000
(Loss)/profit before taxation	<u>(29,346)</u>	<u>10,957</u>
Tax at Hong Kong profits tax rate (Note)	(5,007)	1,808
Effect of different tax rate in other countries	(480)	(668)
Tax effect of non-taxable revenue	(2,090)	(7,351)
Tax effect of non-deductible expenses	5,147	2,253
Tax effect of unused tax losses not recognised	3,008	4,383
Tax effect of prior year's unrecognised tax losses utilised in this year	—	(341)
Tax effect of origination and reversal of temporary differences	167	(43)
Tax relief for the year	<u>(20)</u>	—
Income tax	<u>725</u>	<u>41</u>

Note: During the year ended 31 March 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. While during the year ended 31 March 2018, the Hong Kong Profits Tax is calculated at 16.5% on the total estimated assessable profit.

9. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: HK\$Nil).

10. (LOSS)/EARNINGS PER SHARE

	2019	2018
(Loss)/Profit attributable to equity holders of the Company (HK\$'000)	<u>(28,249)</u>	<u>13,339</u>
Weighted average number of ordinary shares in issue for the purpose of basic (loss)/earnings per share (thousands)	<u>775,406</u>	<u>775,406</u>
Basic (loss)/earnings per share (HK cents)	<u>(3.64)</u>	<u>1.72</u>
Diluted (loss)/earnings per share (HK cents)	<u>(3.64)</u>	<u>1.72</u>

There were no dilutive potential ordinary shares outstanding during the years.

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK\$'000	HK\$'000
Trade receivables	39,844	6,312
Less: Loss allowance	<u>(401)</u>	<u>—</u>
Trade receivables, net	<u>39,443</u>	<u>6,312</u>
Trade deposits and other receivables	4,762	692
Prepayments	344	151
Rental, utility and sundry deposits	<u>2,215</u>	<u>2,648</u>
	<u>7,321</u>	<u>3,491</u>
Total	<u>46,764</u>	<u>9,803</u>

The amount of the Group's deposits, prepayments and other receivables expected to be recovered or recognized as expenses after more than one year is approximately HK\$135,000 (2018: approximately HK\$2,033,000). All the remaining receivables are expected to be recovered or recognized as expense within one year or are receivable on demand.

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of allowance for credit losses, is as follows:

	2019	2018
	HK\$'000	HK\$'000
Within 1 month	12,453	6,312
1 to 3 months	25,335	—
4 to 6 months	1,655	—
	39,443	6,312

The trade receivables were denominated in United States dollars (“US\$”) and HK\$.

The majority of the Group’s sales to overseas customers are generally on open account of 90 days to 120 days (2018: 90 days) from the date of bill of lading. The credit period granted to local customers ranging from 45 days to 90 days (2018: not applicable).

Subsequent to 31 March 2019, approximately HK\$22,391,000 of trade receivables has been settled until the date of this results announcement.

12. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

In November 2018, the Company entered into an agreement for the disposal of the wholly-owned subsidiary, Takson Logistics Limited for consideration of approximately RMB7,408,000 (equivalent to approximately HK\$8,741,000) and received a deposit of RMB2,000,000 (equivalent to approximately HK\$2,360,000). Completion of the disposal was taken place on 16 May 2019, which the remaining balance of the consideration amounted to approximately RMB5,408,000 (equivalent to approximately HK\$6,381,000) was settled by the purchaser.

55% equity interests of Jiangsu Youyi International Logistics Co., Ltd. (“Jiangsu Youyi”), which is a subsidiary of Takson Logistics Limited, was disposed upon the completion of disposal of Takson Logistics Limited on 16 May 2019.

All assets and liabilities under the Takson Logistics Limited were classified as assets and liabilities held for sale.

	2019
	HK\$'000
Property, plant equipment	1,251
Other receivables, prepayments and deposits paid	425
Bank balances and cash	<u>12,663</u>
Assets classified as held for sale	<u>14,339</u>
Other payables and accruals	<u>348</u>
Liabilities classified as held for sale	<u>348</u>
Net assets classified as held for sale	<u>13,991</u>

Carrying amount of non-controlling interests approximately HK\$6,296,000 is relating to the disposal group classified as held for sale.

13. TRADE PAYABLES

At the end of the reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

	2019	2018
	HK\$'000	HK\$'000
Within 1 month	<u>1,828</u>	<u>4,674</u>

All trade payables were all denominated in US\$.

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2018: not applicable).

14. OTHER PAYABLES AND ACCRUED CHARGES

	2019 HK\$'000	2018 HK\$'000
Rental deposits received	959	1,307
Accrued expenses	1,902	3,068
Other payables	2,360	154
	<u>5,221</u>	<u>4,529</u>

Other payables represented the deposit received regarding to the disposal of Takson Logistics Limited as mentioned in note 12.

15. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

- (a) At 31 March 2019, the Group's bank borrowings and obligations under finance leases are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Obligations under finance leases (Note d)	—	365
Bank borrowings – secured (with a repayment on demand clause) (*)	32,972	8,218
	<u>32,972</u>	<u>8,583</u>
Obligations under finance leases repayable:		
Within one year	—	142
In the second year	—	147
In the third to fifth years, inclusive	—	76
	<u>—</u>	<u>365</u>
Secured bank borrowings repayable within one year or on demand	32,972	8,218
	<u>32,972</u>	<u>8,360</u>
Amount repayable within one year included under current liabilities	(32,972)	(8,360)
	<u>(32,972)</u>	<u>(8,360)</u>
Amount repayable after one year	—	223
	<u>—</u>	<u>223</u>

- (*) The term loans from bank with a repayment on demand clause are carried at amortized cost. None of such loans due for repayment after one year is expected to be settled within one year.

Disregarding the effect of any repayment on demand clause the term loans are repayable as follows:-

	2019	2018
	HK\$'000	HK\$'000
Repayable		
Within one year	17,309	1,399
In the second year	2,381	1,508
In the third to fifth years, inclusive	7,591	5,311
After the fifth year	5,691	—
	<u>32,972</u>	<u>8,218</u>

All of the banking facilities are subject to the fulfilment of covenants including those relating to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the Group breached the covenants, the drawn down facilities would become repayable on demand. In addition, the loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and has met the scheduled repayments.

- (b) The carrying amounts of the bank borrowings and obligations under finance leases are denominated in the following currencies:

	2019	2018
	HK\$'000	HK\$'000
Hong Kong Dollars	32,972	365
United States Dollars	—	8,218
	<u>32,972</u>	<u>8,583</u>

- (c) The effective interest rates for the Group's bank borrowings at the end of the reporting period were as follows:

	2019	2018
Hong Kong Dollars	3.4%-3.8%	—
United States Dollars	—	7.9%

(d) Obligations under finance leases

At 31 March 2019, the Group had obligations under finance leases repayable as follows:

	2019		2018	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	—	—	142	152
In the second year	—	—	147	152
In the third to fifth years, inclusive	—	—	76	77
	—	—	223	229
	—	—	365	381
<i>Less: total future interest expenses</i>		—		(16)
Present value of lease obligations		—		365

16. BANKING FACILITIES

At 31 March 2019, the Group's banking facilities amounted to approximately HK\$32,972,000 (2018: approximately HK\$8,218,000) were secured by the following:

- (a) first legal charge over the Group's investment properties in Hong Kong with an aggregate carrying value of approximately HK\$76,518,000 (2018: investment properties in the PRC with an aggregate carrying value of approximately HK\$28,519,000) and a deposit of approximately HK\$522,000 (2018: approximately HK\$550,000); and
- (b) corporate guarantees from the Company and certain of its subsidiaries.

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilized at 31 March 2019 amounted to approximately HK\$32,972,000 (2018: approximately HK\$8,218,000).

17. COMMITMENTS

(a) Capital commitments

At 31 March 2019, the Group had the following material capital commitments:

	2019	2018
	HK\$'000	HK\$'000
Contracted but not provided for:		
Capital contributions	<u>—</u>	<u>64,370</u>

At 31 March 2018, the total capital commitments of the Group amounted to approximately HK\$64,370,000 mainly represented the contracted/authorised commitments in respect of the capital contribution to subsidiaries and a limited partnership.

The capital commitment as at 31 March 2019 as disclosed above excluded commitment of RMB44,000,000 (HK\$54,978,000) in respect of the capital contribution to a subsidiary of Takson Logistics Limited. The capital commitment was excluded at the end of the year because the disposal of Takson Logistics Limited is regarded as asset held for sale as at 31 March 2019 as mentioned in note 12. The remaining amounts excluded is the contracted commitment of approximately USD26,000 (approximately HK\$201,000) and contracted commitment of approximately RMB7,355,000 (approximately HK\$9,191,000) in respect of the capital contribution to a limited partnership and a subsidiary respectively. After a capital injection of approximately RMB826,000 (HK\$1,000,000) during the year, these capital commitments were released upon the disposal of the subsidiaries.

At 31 March 2019, the Group has no material capital commitments.

(b) Commitments under operating leases

The Group as lessee:

The Group rented certain office premises and director's quarter under operating lease arrangement, with the leases negotiated for a term of two to three years (2018: half to three years).

(i) At 31 March 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2019	2018
	HK\$'000	HK\$'000
Within one year	2,602	4,198
In the second to fifth years, inclusive	<u>—</u>	<u>3,324</u>
	<u>2,602</u>	<u>7,522</u>

The Group as lessor:

The Group leases its investment properties under operating lease arrangement, with leases negotiated for terms of two to three years (2018: two years).

(ii) At 31 March 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2019	2018
	HK\$'000	HK\$'000
Within one year	3,646	6,386
In the second to fifth years, inclusive	3,716	1,856
	<u>7,362</u>	<u>8,242</u>

18. EVENTS AFTER THE REPORTING PERIOD

Disposal

As mentioned in note 12 to this results announcement, subsequent to 31 March 2019, the Group completed its negotiation with a third-party company with disposed of equity interest of Takson Logistics Limited. The transaction was completed on 16 May 2019.

19. COMPARATIVES FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Cheng & Cheng Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2019.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$30,071,000 for the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$124,051,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS OVERVIEW

Garment business

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in China which are then exported to overseas market. The Group has started export of wax print clothes, which are fabric mostly used for traditional clothing in Africa to Africa since December 2017 (the "**Africa Business**"). During the year, the Group also developed Australian Market and extended its reach to overseas customers such as Oxford Shop Pty Ltd ("**Oxford**") in Australia, which owns and operates a chain of clothing stores for men and women. Oxford currently has 55 stores and outlets across Australia. It is an iconic Australian brand positioned as a modern, contemporary and stylish collection for both men and women in the mid-range market (the "**Australia Business**").

Recently, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outerwear garments and sportswear products in Hong Kong, especially licensed products under the brand of bearing the brand names "ACCAPI", an Italian brand and distribution of Sportswear products under the brand name of "Super X", a Hong Kong brand respectively (the "**ACCAPI Business**").

Property investment

As at 31 March 2019, the Group held six investment properties located in the PRC and six investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the “**Investment Properties**”). As at 31 March 2019, except for the three investment properties located in the PRC has been vacant since February 2019, all the remaining investment properties were fully leased out. The Group continues to seek for tenants of the vacant properties for rental income purpose.

The value of the Investment Properties amounted to approximately HK\$156.2 million based on the independent valuation of the Investment Properties as at 31 March 2019 (31 March 2018: approximately HK\$156.1 million).

FINANCIAL REVIEW

Turnover

The Group recorded a turnover of approximately HK\$96.4 million for the year ended 31 March 2019, representing a significant increase of approximately 404.0% as compared to that of approximately HK\$19.1 million for the year ended 31 March 2018.

Turnover derived from the Garment Business increased by approximately 575.7% from approximately HK\$13.4 million for the year ended 31 March 2018 to approximately HK\$90.8 million for the year ended 31 March 2019. The increase was due to increase order from Africa Business and addition of order from Australia Business and ACCAPI Business during the year.

Turnover derived from property investment remain stable of approximately HK\$5.7 million for the year ended 31 March 2019 and 31 March 2018.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$9.3 million in respect of the Garment Business for the year ended 31 March 2019, representing an increase of approximately 1,181.5% as compared to approximately HK\$0.7 million for the year ended 31 March 2018. The increase was in line with the increase in revenue.

The gross profit margin of the Garment Business was approximately 10.3% for the year ended 31 March 2019 compared to approximately 5.4% for the year ended 31 March 2018. The increase was due to higher profit margin generated from Australia Business and ACCAPI Business during the year.

The Group recorded a gross profit of approximately HK\$5.7 million in respect of the property investment business for the year ended 31 March 2019 and 31 March 2018.

Selling, distribution and marketing expenses

Selling, distribution and marketing expenses increased by approximately 56.5% from approximately HK\$1.9 million for the year ended 31 March 2018 to approximately HK\$3.0 million for the year ended 31 March 2019. The increase was mainly due to the increase in selling staff costs, oversea travelling and consultancy fee for development of Australia Business and ACCAPI Business.

Administrative expenses

Administrative expenses decreased by approximately 25.4% from approximately HK\$44.2 million for the year ended 31 March 2018 to approximately HK\$33.0 million for the year ended 31 March 2019. The decrease was mainly due to the decrease in overseas travelling, entertainment and staff cost for several possible acquisition projects in last year.

GAIN UPON RECLASSIFICATION FROM LEASEHOLD LAND TO INVESTMENT PROPERTIES

In April 2017, certain properties under the classification of the leasehold land, which were previously used as office of the Group, with a carrying amount of approximately HK\$15.0 million as at 31 March 2017 were reclassified as investment properties, as these properties are currently held for rental income purpose. Therefore, the gain of approximately HK\$47.2 million represented a fair value upward adjustment upon reclassification from leasehold land to investment properties in April 2017 based on their open market value as at 31 March 2017 were recognised during the year ended 31 March 2018.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net gain on fair value change of investment properties of approximately HK\$0.1 million (2018: approximately HK\$6.6 million) represented fair value adjustment of the Group's properties located in Hong Kong and the PRC as at 31 March 2019.

These properties was revalued basis on their open market value as at 31 March 2019 by Ravia Global Appraisal Advisory Limited, an independent qualified professional valuer.

FINANCE COST

Finance cost increased by approximately 32.0% from approximately HK\$5.9 million for the year ended 31 March 2018 to approximately HK\$7.8 million for the year ended 31 March 2019. This was mainly due to increase in interest from amount due to a related company and bank borrowings for general working capital.

PROSPECTS

In view of the downturn of the garment industry in the North American market, the Group has explored other potential markets and expanded into the African market in December 2017. In May 2018, the Group has also tapped into the Australian market. Recently, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong and People's Republic of China, especially licensed products under the brand of bearing the brand names "ACCAPI", an Italian brand and distribution of sportswear products under the brand name of "Super X", a Hong Kong brand respectively. The Group has planned to strengthen the ACCAPI Business by setting up its own manufacturing operation in near future. The Group will continue to expand the product range, develop and explore products with higher profit margins, extend its distribution channels and customer base and develop worldwide market for its trading business.

The Group will continue to look for new business opportunities to diversify its business in order to generate better returns for the shareholders of the Company. The Board believe that the Group's business will grow gradually and the Company will be able to maintain the listing of the Shares on the Stock Exchange.

UPDATE ON THE LISTING STATUS

Trading in the Shares on the Stock Exchange has been suspended since 1 February 2019.

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 under Rule 13.24 of the Listing Rules to warrant the continued listing of its 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 (the "**Decision**").

On 14 June 2018, the Company has submitted a written request to the Listing Committee for reviewing the Decision. On 18 September 2018, the Listing Committee decided to uphold the Decision to suspend trading in the Shares.

On 27 September 2018, the Company has submitted a written request to the Listing (Review) Committee applying for a review of the decision of the Listing Committee. On 21 January 2019, the Listing (Review) Committee conducted a review hearing to review the decision of the Listing Committee set out in its letter dated 18 September 2018 (the “**LC Decision**”). On 31 January 2019, the Company received a letter from the Listing (Review) Committee setting out its decision to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage under Practice Note 17 of the Listing Rules.

The Company is required to submit a viable 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 the expiry of a period of six months from the date of the letter setting out the Decision (i.e. 18 July 2019). At the end of the six-month period (i.e. 1 August 2019), the Stock Exchange will determine whether to place the Company in the second delisting stage under Practice Note 17 of the Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 1 February 2019. For details, please refer to the announcements of the Company dated 11 June 2018, 15 June 2018, 18 September 2018, 19 September 2018, 1 February 2019, 12 February 2019 and 30 April 2019.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the year ended 31 March 2019, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash position

The Group had total cash and bank balances (excluding pledged bank deposits) of approximately HK\$4.5 million as of 31 March 2019 (2018: approximately HK\$22.3 million).

Bank and other borrowings

As of 31 March 2019, bank and other borrowings of the Group amounted to approximately HK\$198.6 million, including bank loans of approximately HK\$33.0 million, obligations under finance leases of approximately HK\$nil, shareholder's loans of approximately HK\$96.0 million and loans from a related company of approximately HK\$69.6 million. All bank and other borrowings of approximately HK\$198.6 million are repayable within one year or on demand.

As of 31 March 2018, bank and other borrowings of the Group amounted to approximately HK\$131.5 million, including bank loans of approximately HK\$8.2 million, obligations under finance leases of approximately HK\$0.4 million and shareholder's loans of approximately HK\$122.9 million. Among the bank and other borrowings, approximately HK\$73.7 million are repayable within one year or on demand, approximately HK\$45.1 million are repayable over one year but not exceeding two years, approximately HK\$12.7 million are repayable over two years but not exceeding five years.

LEVERAGE

The ratio of current assets to current liabilities of the Group was approximately 0.40 as at 31 March 2019 compared to approximately 0.46 as at 31 March 2018. The deterioration in current ratio was due to the increase in amount due to a shareholder, amount due to a related company and bank borrowing. The Group's gearing ratio as at 31 March 2019 was approximately 680.0% (31 March 2018: approximately 243.4%), which is calculated based on the Group's bank and other borrowings of approximately HK\$198.6 million (31 March 2018: approximately HK\$131.5 million) and the Group's total equity approximately HK\$29.2 million (31 March 2018: approximately HK\$54.0 million). The increase in gearing ratio was due to the increase in bank and other borrowings.

The cash and bank balances together with shareholder's loans and the available banking facilities can provide adequate liquidity and capital resources for the ongoing operation needs of the Group.

RISK MANAGEMENT

Our principal financial instruments include trade receivables, deposits, prepayments and other receivables, pledged bank deposits, bank borrowings and obligations under finance leases and cash and cash equivalents. We also have various financial assets and financial liabilities arising from our business operations. Our financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. We aim to minimise these risks and hence maximise investment returns.

Foreign currency risk

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars, Renminbi and United States dollars (“USD”). In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2019 and 2018, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group’s foreign currency exposure and take actions as appropriate.

Credit risk

The Group’s credit exposure generally arises from counterparty risk in the course of engaging in the Garment Business and the property investment business. As at 31 March 2019, trade receivables and trade payables of the Group were approximately HK\$39.4 million and approximately HK\$1.8 million (31 March 2018: approximately HK\$6.3 million and approximately HK\$4.7 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

Liquidity risk

Liquidity risk is the risk that funds will not meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The objectives of the Group’s liquidity risk management are: (1) maintaining the stability of the Group’s principal business, timely monitoring cash and bank balance position; (2) projecting cash flows; and (3) evaluating the level of current assets to maintain sufficient liquidity of the Group.

TREASURY POLICIES

As at 31 March 2019, bank and other borrowings of approximately HK\$198.7 million and approximately HK\$nil (31 March 2018: approximately HK\$123.3 million and approximately HK\$8.2 million) were denominated in Hong Kong dollars and USD, respectively. The Group’s bank loans are subject to floating interest rates while obligations under finance leases and loans from related company are subject to fixed interest rates.

Cash and cash equivalents held by the Group were mainly denominated in USD, Renminbi and Hong Kong dollars. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

CHARGE OF ASSETS

As at 31 March 2019, the Investment Properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$76.5 million (31 March 2018: approximately HK\$28.5 million) and a fixed deposit of approximately HK\$0.5 million (31 March 2018: approximately HK\$0.6 million) were pledged as first legal charges for the Group's banking facilities.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the year ended 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 30 November 2018, First Equity Global Limited ("**First Equity**"), a wholly-owned subsidiary of the Company (being the vendor), Takson Garment Manufacturing Co., Limited, an indirect wholly-owned subsidiary of the Company, and China Corporate United Investment Holding Co., Ltd (中聯投控股股份有限公司) (the "**Purchaser**"), a company established under the laws of the PRC with limited liability, entered into a legally binding letter of intent (the "**LOI**") (which has been amended and supplemented by a legally binding supplemental letter of Intent dated 7 December 2018), pursuant to which First Equity has conditionally agreed to sell, and the Purchaser or its nominee has conditionally agreed to purchase the entire issued capital of Takson Logistics Limited, an indirect wholly-owned subsidiary of the Company at a cash consideration of RMB7,408,100 (equivalent to approximately HK\$8,371,153) (the "**Disposal**"). The Disposal was completed on 16 May 2019. For details, please refer to the announcements of the Company dated 7 December 2018 and 16 May 2019.

Save as disclosed elsewhere in this results announcement, the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2019.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the year ended 31 March 2019 are set out in note 3 to this results announcement.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2019.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2019, the utilised facilities amounted to approximately HK\$33.0 million (31 March 2018: approximately HK\$8.2 million).

Except for the foregoing, as at 31 March 2019, the Group had no other significant contingent liabilities or pending litigation.

SUBSEQUENT EVENTS

As at 31 March 2019, details of the subsequent events of the Group are set out in note 18 to this announcement.

STAFF AND REMUNERATION POLICIES

As of 31 March 2019, the Group had a total of 26 employees (31 March 2018: 38 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2019 amounted to approximately HK\$16.3 million (31 March 2018: approximately HK\$21.0 million). Primary means of remuneration include contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2019, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the “**Audit Committee**”) include reviewing and supervising of the Group’s financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards.

On 23 April 2018, Ms. Meng Rongfang (“**Ms. Meng**”) resigned as independent non-executive Director (the “**INED(s)**”) and chairman of the Audit Committee. Following the resignation of Ms. Meng, the number of members of the Audit Committee falls below the minimum number required under Rule 3.21 of the Listing Rules and there is a vacancy for chairman of the Audit Committee.

On 29 May 2018, Mr. Chen Jianjun (“**Mr. Chen**”) has been appointed as INED and chairman of the Audit Committee in order to comply with the requirement under Rule 3.21 and 3.23 of the Listing Rules. Mr. Chen resigned as INED on 25 October 2018. Mr. Chow Hiu Tung was appointed as an INED and chairman of Audit Committee since 25 October 2018.

The Audit Committee currently comprises of three INEDs, namely Mr. Chow Hiu Tung, Mr. Zhao Hangen and Ms. Yang Yanli.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders and other stakeholders.

The Company has applied the principles and complied with the Corporate Governance Code (“**CG Code**”) as contained in Appendix 14 of the Listing Rules during the year ended 31 March 2019 except for the following deviation:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separated. The positions of chairman and chief executive officer of the Company were held by Mr. Zhou Xinyu from 1 February 2018 to 25 October 2018. The Board believed that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. Following the resignation of Mr. Zhou Xinyu, the Company do not has chief executive officer since then.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2019, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the website of the Stock Exchange, www.hkexnews.hk, and the website of the Company, www.seiah.com. The annual report for the year ended 31 March 2019 will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

By Order of the Board

State Energy Group International Assets Holdings Limited

Zhang Jinbing

Chairman

Hong Kong, 28 June 2019

As at the date of this announcement, the executive director of the Company is Mr. Zhang Jinbing; and the independent non-executive directors of the Company are Ms. Yang Yanli, Mr. Chow Hiu Tung and Mr. Zhao Hangen.