



**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



**2017**  
**Interim Report**

# CONTENTS

<b>1</b>	Management Commentary
<b>2</b>	Management Discussion and Analysis
<b>8</b>	Other Information
<b>14</b>	Report on Review of Condensed Consolidated Financial Statements
<b>15</b>	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>17</b>	Condensed Consolidated Statement of Financial Position
<b>19</b>	Condensed Consolidated Statement of Changes in Equity
<b>20</b>	Condensed Consolidated Statement of Cash Flows
<b>21</b>	Notes to the Condensed Consolidated Financial Statements

# MANAGEMENT COMMENTARY

The board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) presents the interim report and the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2017, together with the comparatives.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### EXPORT BUSINESS

The Group conducted the business of sourcing, subcontracting, marketing and selling of outwear garments and sportswear products in China which were then exported to overseas markets (the “**Export Business**”). The Export Business faced several challenges in the past few years. In the past few years, with the rising production cost and declining competitiveness of garment manufacturers in the PRC, the Group faced challenges as its Export Business depends on garment manufacturing ability in the PPC. The overall development prospect is pessimistic, together with adverse factors such as the constantly rising and changing customer demand and standards towards our products, which leads to the weak performance of Export Business. As it becomes more difficult in obtaining sustainably profitable sales orders, there was a decline in the revenue of the Export Business from approximately HK\$105.6 million for the six months ended 30 September 2016 to approximating HK\$0.4 million for the six months ended 30 September 2017. The Company is of the view that it is necessary to optimize and adjust the Export Business’s Strategy such that the Group will take up profitable orders with less related direct and indirect costs and expenses incurred.

### PROPERTY INVESTMENT

As at 30 September 2017, the Group held six investment properties located in the People’s Republic of China (the “**PRC**”) and six investment properties (including three car parking spaces) in Hong Kong for generating rental income purposes. For the six months ended 30 September 2017, all the investment properties of the Group were fully leased out. As at 30 September 2017, the value of the investment properties of the Company amounted to approximately HK\$151.6 million.

## FINANCIAL REVIEW

### REVENUE

The Group recorded revenue of approximately HK\$3.1 million for the six months ended 30 September 2017 representing a decrease of approximately 97.1% as compared to that of approximately HK\$107.3 million for the six months ended 30 September 2016.

Revenue derived from the Export Business decreased by approximately 99.6% from approximately HK\$105.6 million for the six months ended 30 September 2016 to approximately HK\$0.4 million for the six months ended 30 September 2017 mainly due to the general decrease in sales orders.

Revenue derived from property investment increased by approximately 52.9% from approximately HK\$1.7 million for the six months ended 30 September 2016 to approximately HK\$2.7 million for the six months ended 30 September 2017. The increase was mainly due to the increase in the number of properties leased out during the six months ended 30 September 2017. Those were previously used as office of the Group.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$0.1 million in respect of the Export Business for the six months ended 30 September 2017, representing a decrease of approximately 99.5% as compared to approximately HK\$25.0 million for the six months ended 30 September 2016. The decrease was in line with the decrease in revenue.

The gross profit margin of the Export Business was approximately 26.5% for the six months ended 30 September 2017 compared to approximately 23.6% for the six months ended 30 September 2016.

The Group recorded a gross profit of approximately HK\$2.7 million in respect of the property investment business for the six months ended 30 September 2017, representing an increase of approximately 52.9% as compared to approximately HK\$1.7 million for the six months ended 30 September 2016. The increase was due to the increase in monthly rental income.

## SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses decreased by approximately 77.4% from approximately HK\$6.3 million for the six months ended 30 September 2016 to approximately HK\$1.4 million for the six months ended 30 September 2017. The decrease was mainly due to the reduction in staff costs following the decrease in the number of selling, distribution and marketing employees for the Export Business.

## ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 26.9% from approximately HK\$15.7 million for the six months ended 30 September 2016 to approximately HK\$19.9 million for the six months ended 30 September 2017. The increase was mainly due to the increase in office rental expenses and increase in legal and professional fees for the expansion and development of the Group's properties investment business.

## GAIN UPON RECLASSIFICATION FROM LEASEHOLD LAND TO INVESTMENT PROPERTIES

During the six months ended 30 September 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\$14,975,000 as at 31 March 2017 were reclassified as investment properties, as these properties are currently held for rental income purpose. These properties was revalued at 31 March 2017 on the basis of their open market value by RHL Appraisal Limited, an independent qualified professional valuer. The Directors have estimated that the fair values of the said investment properties as at 30 September 2017 did not vary significantly from the professional valuation as of 31 March 2017. Therefore, the gain of approximately HK\$47.2 million represented a fair value upward adjustment upon reclassification from leasehold land to investment properties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The gain on fair value change of investment properties of approximately HK\$2.2 million represented fair value adjustment of the Group's properties located in the PRC during the six months ended 30 September 2017. No fair value change on investment properties was recognized for the six months month ended 30 September 2016.

### FINANCE COST

Finance cost increased by approximately 52.5% from approximately HK\$1.6 million for the six months ended 30 September 2016 to approximately HK\$2.4 million for the six months ended 30 September 2017. This was mainly due to the addition of shareholder's loans with interest rate at 4.25% p.a. for general working capital of the Group.

### PROSPECT

The current operating environment for the Export Business is more challenging than ever. During the period under review, the Group has been actively seeking opportunities for obtaining sustainably profitable sales orders. However, it is becoming more difficult to secure sustainably profitable sales orders which led to a decline in the turnover of the Export Business. On the other hand, the property investment business achieved sustainable development, providing steady rental income and cash flow for the Group.

Therefore, after review of the business operations of the Group, the Board is aware of the necessity to optimise and adjust the existing business model in order to accelerate the transformation of the overall business profit model. As for the Export Business, the Group continues to explore new clients that can bring sustainable profitability with prudence. The Group will make good use of its management, experience, resources and business relationship network, to actively explore the Export Business in new areas and adjust the sales mix of the existing export orders.

Furthermore, the PRC government was pressing ahead with the "One Belt One Road" initiative and achieved good results. The PRC government stepped up its efforts to increase investment in various industries so as to facilitate international trading. It also strengthened financial cooperation with the relevant countries to facilitate financial development. The Group remains prudently optimistic about the investment opportunities brought by the "One Belt One Road" initiative under the current macro-background.

### PROSPECT (CONTINUED)

The Group will continue exploring the opportunities in the property investment business, including but not limited to high-end properties, specialized properties, new industry cities or park projects within the areas covered in the “One Belt, One Road” initiative such as the proposed acquisition of the hotel property in Prague (the “**Proposed Acquisition**”) (details of which are disclosed in the announcement of the Company dated 21 September 2017). The Board is of the view that the completion of the Proposed Acquisition will contribute to significantly enhancing the revenue of the property investment business. The Group’s dual-development strategy, namely optimizing the current Export Business as well as enhancing the property investment portfolio, is expected to strengthen the overall profit model of the Group and to minimise the risk of heavy reliance on one single business segment. The Group will also consider to make use of the property fund model to expand the Group’s property asset management arm and evaluate potential business opportunities in the financial service sectors brought by the “One Belt One Road” initiatives of the PRC together with leveraging on multiple resources and cooperation with our strategic partners and fostering new growth drivers, so as to realise better returns for our shareholders. Our financial service business shall include but is not limited to the commencement of our asset management business based on the “One Belt One Road” strategy, setup of our own or joint venture established investment funds, as well as the acquisition of or establishment of licensed financial corporations.

### LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the six months ended 30 September 2017, 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 financial asset at fair value through profit or loss and pledged bank deposits) of approximately HK\$25.0 million as at 30 September 2017 (31 March 2017: approximately HK\$8.3 million).

#### *Bank and other borrowings*

As at 30 September 2017, bank and other borrowings of the Group amounted to approximately HK\$115.4 million, including bank borrowings of approximately HK\$10.4 million, obligations under finance leases of approximately HK\$0.4 million and shareholder’s loans of approximately HK\$104.6 million. Among total bank and other borrowings, approximately HK\$10.6 million are repayable within one year or on demand, approximately HK\$92.1 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.

As at 31 March 2017, bank and other borrowings of the Group amounted to approximately HK\$93.3 million, including bank borrowings of approximately HK\$27.3 million, obligations under finance leases of approximately HK\$0.6 million and shareholder’s loan of approximately HK\$65.4 million. Among total bank and other borrowings, approximately HK\$27.6 million are repayable within one year or on demand, approximately HK\$65.5 million are repayable over one year but not exceeding two years, approximately HK\$0.2 million are repayable over two years but not exceeding five years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

(CONTINUED)

#### *Leverage*

The ratio of current assets to current liabilities of the Group was approximately 2.64 as at 30 September 2017 compared to approximately 0.68 as at 31 March 2017. The improvement in current ratio was due to the decrease in bank borrowings and increase in cash and cash equivalents. The Group's gearing ratio as at 30 September 2017 was approximately 171.9% (31 March 2017: approximately 338.3%), which is calculated based on the Group's bank and other borrowings of approximately HK\$115.4 million (31 March 2017: approximately HK\$93.3 million) and the Group's total equity of approximately HK\$67.2 million (31 March 2017: approximately HK\$27.6 million). The decrease in gearing ratio was mainly due to the increase in total equity. 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.

#### INTERIM DIVIDENDS

The Board does not recommend declaring any interim dividends for the six months ended 30 September 2017 (for the six months ended 30 September 2016: Nil).

#### RISK MANAGEMENT

Our principal financial instruments include trade and other receivables, pledged deposits, cash and cash equivalents, financial asset at fair value through profit or loss, bank borrowings and obligations under finance leases. 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 ("**RMB**") and United States dollars ("**USD**"). In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the six months ended 30 September 2017. 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 six months ended 30 September 2017 and 2016, 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 Export Business and the property investment business. As at 30 September 2017, trade receivables and trade payables of the Group were approximately HK\$0.1 million and nil (31 March 2017: approximately HK\$0.9 million and approximately HK\$0.2 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.



## **RISK MANAGEMENT** *(CONTINUED)*

### ***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 30 September 2017, bank and other borrowings of approximately HK\$105.0 million (31 March 2017: approximately HK\$81.8 million) and approximately HK\$10.4 million (31 March 2017: approximately HK\$11.5 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 shareholder's loans are subject to fixed interest rates. Cash and cash equivalents held by the Group were mainly denominated in USD, RMB 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 of 30 September 2017, 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\$151.6 million (31 March 2017: approximately HK\$102.2 million) were pledged as first legal charges for the Group's banking facilities.

## OTHER INFORMATION

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 21 September 2017, the Company entered into an acquisition agreement with the CEFC Group (Europe) Company a.s. (the “**CEFC Group**”), a joint stock company incorporated in the Czech Republic, pursuant to which the Company has conditionally agreed to acquire and CEFC Group has conditionally agreed to sell the entire registered capital in the Le Palais – Praha s.r.o. (“**Le Palais**”), a Czech limited liability company, at the aggregate consideration of CZK496,100,000 (equivalent to approximately HK\$173,635,000), which will be satisfied in cash. Le Palais owns a hotel, namely Le Palais Art Hotel Prague located in the Czech Republic, which is a luxury hotel with 72 rooms in the Czech Republic. As at the data of this report, the conditions to the Proposed Acquisition have not been fulfilled and the Proposed Acquisition has not been completed.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries or associated companies during the six months ended 30 September 2017.

### OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 30 September 2017 are set out in note 4 to the condensed consolidated financial statements attached to this interim report.

### CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 30 September 2017 are set out in note 19(a) to the condensed consolidated financial statements attached to this interim report.

### CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 30 September 2017, the utilised facilities amounted to approximately HK\$10.9 million (31 March 2017: approximately HK\$28.1 million).

Except for the foregoing, as at 30 September 2017, the Group had no other significant contingent liabilities or pending litigation.

### STAFF AND REMUNERATION POLICIES

As at 30 September 2017, the Group had a total of 38 employees (31 March 2017: 16 employees). Total staff costs (including Directors’ emoluments) for the six months ended 30 September 2017 amounted to approximately HK\$8.6 million (for the six months ended 30 September 2016: approximately HK\$12.5 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 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 at 30 September 2017, 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.

### SIGNIFICANT INVESTMENT

The Group had no significant investment during the six months ended 30 September 2017.

### CHANGES IN DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors subsequent to the publication of the annual report of the Company for the year ended 31 March 2017 are set out below:

Mr. Ren Qingxin resigned as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company with effect from 5 September 2017.

Mr. Zhou Xinyu, the executive Director and chief executive officer of the Company, was appointed as the chairman of the nomination committee of the Company with effect from 5 September 2017.

Mr. Lei Donghui was appointed as an executive Director and chairman of the Board with effect from 5 September 2017. Details of his biography are set out in the announcement of the Company dated 5 September 2017.

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") which became effective on 28 September 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options under the above scheme were granted nor exercised during the six months ended 30 September 2017 and no share options were outstanding as at 30 September 2017.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### (I) LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director or chief executive	Nature of interest	Number of issued shares held	Percentage of the issued share capital
Ms. Niu Fang ("Ms. Niu")	Interest in controlled corporation ( <i>Note</i> )	546,448,493 ( <i>Note</i> )	70.47%

*Note:*

These shares were held by State Energy HK Limited ("State Energy HK"), State Energy HK was wholly owned by National Business Holdings Group Co., Limited\* (國能商業集團有限公司) ("National Business"). National Business was owned as to approximately 66.67% and 33.33% by Shanghai Guoming Equity Investment Fund Management Co., Limited\* (上海國明股權投資基金管理有限公司) ("Shanghai Guoming") and Shanghai Zhongshe Equity Investment Fund Co., Limited\* (上海中社股權投資基金管理有限公司) ("Shanghai Zhongshe") respectively. Shanghai Zhongshe was owned as to 80% by Ms. Niu. Hence Ms. Niu was deemed to be interested in the 546,448,493 shares in the Company held by State Energy HK pursuant to the SFO.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (CONTINUED)

### (II) LONG POSITIONS IN THE SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director or Chief executive	Name of associated corporation	Nature of Interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporate
Ms. Niu	State Energy HK	Interest in controlled corporation (Notes 1 & 4)	8,000,000	100%
	National Business	Interest in controlled corporation (Notes 2 & 4)	1,000,000	33.33%
	Shanghai Guoming	Beneficial owner (Notes 3 & 4)	3,000,000	30%

*Notes:*

1. State Energy HK is a company incorporated in Hong Kong with limited liability which owned 546,448,493 shares of the Company (representing 70.47% of the issued share capital of the Company), and thus was the direct holding company of the Company.
2. National Business is a company established in the PRC with limited liability. It owned the entire issued share capital of State Energy HK, and thus was an indirect holding company of the Company.
3. Shanghai Guoming is a company established in the PRC with limited liability. It owned 66.67% equity interest in National Business, and thus was an indirect holding company of the Company.
4. Ms. Niu held 80% equity interest in Shanghai Zhongshe and Shanghai Zhongshe held approximately 33.33% equity interest in National Business, and thus Ms. Niu was deemed to be interested in the equity interests of National Business held by Shanghai Zhongshe and the shares of State Energy HK held by National Business.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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 or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executives of the Company was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and the chief executives of the Company, as at 30 September 2017, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
State Energy HK	Beneficial owner <i>(Note 1)</i>	546,448,493	70.47%
National Business	Interest of controlled corporation <i>(Note 1)</i>	546,448,493	70.47%
Shanghai Guoming	Interest of controlled corporation <i>(Note 1)</i>	546,448,493	70.47%
Shanghai Zhongshe	Interest of controlled corporation <i>(Note 1)</i>	546,448,493	70.47%
Liu Quanhui ("Mr. Liu")	Interest of controlled corporation <i>(Note 1)</i>	546,448,493	70.47%
Hu Zhangcui ("Ms. Hu")	Interest of spouse <i>(Note 2)</i>	546,448,493	70.47%

Notes:

1. These shares were held by State Energy HK. State Energy HK was wholly owned by National Business. National Business was owned as to approximately 66.67% and 33.33% by Shanghai Guoming and Shanghai Zhongshe respectively. Shanghai Guoming and Shanghai Zhongshe were owned as to 70% and 20% by Mr. Liu, respectively. Hence, each of National Business, Shanghai Guoming, Shanghai Zhongshe and Mr. Liu was deemed to be interested in the 546,448,493 shares in the Company held by State Energy HK pursuant to the SFO.
2. Ms. Hu was the spouse of Mr. Liu, and thus she was deemed to be interested in the shares of the Company in which Mr. Liu was interested pursuant to the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2017.

## CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 September 2017 except for the following deviation:

1. Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend general meetings and meetings of the board and board committees. One independent non-executive Director (the “INED”), Ms. Meng Rongfang, was unable to attend the annual general meeting (the “AGM”) held on 22 August 2017 as she had other business engagements. The company secretary of the Company has reported to her on the views of the shareholders of the Company in the AGM. As such, the Board considers that a mutual understanding on the views of the Company’s shareholders has been reached among the INEDs.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2017.

The Company has also established written guidelines for senior management and employees in certain functions in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all Directors, senior management and relevant employees reminding them to comply with the restriction on dealing of securities of the Company under the above code and guidelines 60 days prior to the publication of the annual results and 30 days prior to the publication of the interim results.

## 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 condensed consolidated financial statements of the Group for the six months ended 30 September 2017 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards. The Audit Committee currently comprises of three INEDs, namely Ms. Meng Rongfang, Ms. Ni Lijun and Mr. Shen Guoquan.

By Order of the Board

**STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED**  
**LEI DONGHUI**

*Chairman*

Hong Kong  
28 November 2017

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

*(Incorporated in the Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of State Energy Group International Assets Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 15 to 32, which comprise the condensed consolidated statement of financial position as at 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Cheng & Cheng Limited**

*Certified Public Accountants*

**Chan Shek Chi**

Practising Certificate number P05540

Hong Kong, 28 November 2017



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2017*

		For the six months ended 30 September	
		2017 <i>(Unaudited)</i> HK\$'000	2016 <i>(Unaudited)</i> HK\$'000
	Notes		
Revenue	4	3,104	107,327
Cost of sales		(318)	(80,624)
Gross profit		2,786	26,703
Other income		226	136
Selling, distribution and marketing expenses		(1,423)	(6,292)
Administrative expenses		(19,949)	(15,715)
Net loss on foreign currency forward contracts		—	(1,071)
Gain upon reclassification from leasehold land to investment properties	11	47,227	—
Change in fair value of investment properties		2,175	—
Operating profit		31,042	3,761
Finance costs	5	(2,422)	(1,588)
Profit before taxation	6	28,620	2,173
Income tax	8	—	—
Profit for the period		28,620	2,173
<b>Other comprehensive income</b>			
<b>for the period (net of tax)</b>			
<b>Items that may be reclassified</b>			
<b>subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of overseas subsidiaries		763	—
Total comprehensive income for the period		29,383	2,173
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		29,497	2,173
Non-controlling interests		(877)	—
		28,620	2,173

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		For the six months ended 30 September	
		2017 <i>(Unaudited)</i> HK\$'000	2016 <i>(Unaudited)</i> HK\$'000
		Notes	
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		29,931	2,173
Non-controlling interests		(548)	—
		<b>29,383</b>	<b>2,173</b>
<b>Earnings per share attributable to the equity holders of the Company during the period</b>			
— basic (HK cents)	9	<b>3.80</b>	0.28
— diluted (HK cents)	9	<b>3.80</b>	0.28

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	4,932	12,581
Leasehold land	11	—	14,975
Investment properties	11	151,635	79,741
Deferred tax assets		1,052	1,052
		157,619	108,349
<b>Current assets</b>			
Inventories		—	11
Trade and other receivables	12	3,826	7,560
Pledged bank deposit		—	4,510
Financial asset at fair value through profit or loss	13	5,869	—
Cash and cash equivalents		25,021	8,328
		34,716	20,409
<b>Total assets</b>		192,335	128,758
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	15	77,540	77,540
Reserves		(20,046)	(49,977)
		57,494	27,563
<b>Non-controlling interests</b>		9,672	—
<b>Total equity</b>		67,166	27,563

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 <i>(Unaudited)</i> HK\$'000	31 March 2017 <i>(Audited)</i> HK\$'000
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases	<i>16</i>	295	365
Amounts due to a shareholder	<i>20</i>	106,886	66,047
Deferred tax liabilities		4,858	4,858
		<u>112,039</u>	<u>71,270</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	2,542	2,395
Bank borrowings and obligations under finance leases	<i>16</i>	10,588	27,530
		<u>13,130</u>	<u>29,925</u>
<b>Total liabilities</b>		<u>125,169</u>	<u>101,195</u>
<b>Total equity and liabilities</b>		<u>192,335</u>	<u>128,758</u>
<b>Net current assets/(liabilities)</b>		<u>21,586</u>	<u>(9,516)</u>
<b>Total assets less current liabilities</b>		<u>179,205</u>	<u>98,833</u>

The accompanying notes are an integral part of the condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Consolidation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2016 (Audited)	77,540	66,894	11,463	2,214	(988)	(117,203)	–	39,920
Profit for the period	–	–	–	–	–	2,173	–	2,173
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	2,173	–	2,173
Balance at 30 September 2016 (Unaudited)	<b>77,540</b>	<b>66,894</b>	<b>11,463</b>	<b>2,214</b>	<b>(988)</b>	<b>(115,030)</b>	<b>–</b>	<b>42,093</b>
Balance at 1 April 2017 (Audited)	77,540	66,894	11,855	2,214	(988)	(129,952)	–	27,563
Profit for the period	–	–	–	–	–	29,497	(877)	28,620
Other comprehensive income	–	–	–	–	434	–	329	763
Total comprehensive income for the period	–	–	–	–	434	29,497	(548)	29,383
Capital injection by non-controlling interests	–	–	–	–	–	–	10,220	10,220
Balance at 30 September 2017 (Unaudited)	<b>77,540</b>	<b>66,894</b>	<b>11,855</b>	<b>2,214</b>	<b>(554)</b>	<b>(100,455)</b>	<b>9,672</b>	<b>67,166</b>

The accompanying notes are an integral part of the condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 <i>(Unaudited)</i> HK\$'000	2016 <i>(Unaudited)</i> HK\$'000
Net cash (outflow)/inflow from operating activities	(12,697)	19,884
Net cash outflow from investing activities	(2,997)	(5,741)
Net cash inflow/(outflow) from financing activities	31,625	(12,189)
<b>Net increase in cash and cash equivalents</b>	<b>15,931</b>	<b>1,954</b>
Cash and cash equivalents at beginning of period	8,328	8,009
Effects of exchange rate changes, net	762	—
<b>Cash and cash equivalents at end of period</b>	<b>25,021</b>	<b>9,963</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and cash equivalents	25,021	9,963

The accompanying notes are an integral part of the condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2017*

## 1. GENERAL INFORMATION

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

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

These condensed consolidated financial statements has been approved for issue by the Board on 28 November 2017.

## 2. BASIS OF PREPARATION

This condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017.

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

During the six months ended 30 September 2017, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate of income from the Export Business and gross rental income received and receivable from leasing of the investment properties of the Group in Hong Kong and the PRC.

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) Export business — Sales of outerwear and other garments to overseas customers; and
- (b) 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 cost and professional charges which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other receivables and mainly exclude deferred tax assets, pledged bank deposit, financial asset at fair value through profit or loss and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities consist primarily of trade and other payables, bank borrowings and obligations under finance leases. Segment liabilities exclude amounts due to a shareholder and deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 September 2017 and 2016, respectively.

	For the six months ended 30 September 2017		
	Export business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	433	2,671	3,104
Segment (loss)/profit	(3,664)	51,096	47,432
Unallocated operating income			112
Unallocated expenses			(16,502)
Finance costs			(2,422)
Profit before taxation			28,620
Income tax			—
Profit for the period			28,620



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended  
30 September 2016

	Export business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	105,580	1,747	107,327
Segment profit/(loss)	13,714	(5,643)	8,071
Unallocated expenses			(4,310)
Finance costs			(1,588)
Profit before taxation			2,173
Income tax			—
Profit for the period			2,173

The following table presents asset and liability information for the Group's operating segments as at 30 September 2017 and 31 March 2017, respectively:

	As at 30 September 2017		
	Export business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	2,074	151,956	154,030
Unallocated assets			38,305
Total assets			192,335
Segment liabilities	564	11,848	12,412
Unallocated liabilities			112,757
Total liabilities			125,169

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2017		
	Export business <i>(Audited)</i> <i>HK\$'000</i>	Property investment <i>(Audited)</i> <i>HK\$'000</i>	Total <i>(Audited)</i> <i>HK\$'000</i>
Segment assets	6,750	80,107	86,857
Unallocated assets			41,901
Total assets			128,758
Segment liabilities	16,950	12,471	29,421
Unallocated liabilities			71,774
Total liabilities			101,195

By geographical segments:

	Turnover For the six months ended 30 September	
	2017 <i>(Unaudited)</i> <i>HK\$'000</i>	2016 <i>(Unaudited)</i> <i>HK\$'000</i>
United States of America	433	105,580
Hong Kong	1,649	594
People's Republic of China	1,022	1,153
	3,104	107,327

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 5. FINANCE COSTS

	For the six months ended 30 September	
	2017 <i>(Unaudited)</i> HK\$'000	2016 <i>(Unaudited)</i> HK\$'000
Interest on bank loans	765	1,571
Interest element of finance lease obligations	9	17
Interest on shareholder's loans	1,648	—
	<b>2,422</b>	<b>1,588</b>

## 6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2017 <i>(Unaudited)</i> HK\$'000	2016 <i>(Unaudited)</i> HK\$'000
<b>Crediting</b>		
Interest income	(105)	(13)
Gain upon reclassification from leasehold land to investment properties	(47,227)	—
Change in fair value of investment properties	(2,175)	—
<b>Charging</b>		
Cost of inventories sold	318	80,624
Amortisation of leasehold land	—	245
Depreciation	391	491
Written off of fixed assets	1,381	—
Operating lease rentals in respect of land and buildings	1,692	1,145
Staff costs, including directors' emoluments (Note 7)	8,613	12,533

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 7. STAFF COSTS

	For the six months ended 30 September	
	2017 <i>(Unaudited)</i> HK\$'000	2016 <i>(Unaudited)</i> HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	8,297	12,285
Retirement benefit costs	316	248
	<b>8,613</b>	12,533

## 8. INCOME TAX

No provision of Hong Kong profits tax has been made on the estimated assessable profit of a subsidiary of the Company operating in Hong Kong as it had available tax losses brought forward to offset the assessable profits generated during the six months ended 30 September 2017 (2016: Nil).

No provision of Hong Kong profits tax has been made on the other Group's companies as they did not have assessable profits for both periods.

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 periods.

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 September	
	2017	2016
Profit attributable to the equity holders of the Company (HK\$'000)	29,497	2,173
Weighted average number of ordinary shares in issue (thousands)	775,406	775,406
Basic earnings per share (HK cents)	3.80	0.28
Diluted earnings per share (HK cents)	3.80	0.28

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 10. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND INVESTMENT PROPERTIES

During the six months ended 30 September 2017, certain properties, which were previously used as office of the Group, with a carrying amount of approximately HK\$22,492,000 were transferred to investment properties from property, plant and equipment of approximately HK\$7,517,000 and leasehold land of approximately HK\$14,975,000, respectively, as these properties are currently held for rental income purpose. The carrying value of the said investment properties as at 30 September 2017 was approximately HK\$69,719,000, which was revalued at 31 March 2017 on the basis of their open market value by RHL Appraisal Limited, an independent qualified professional valuer. The Directors have estimated that the fair values of the said investment properties as at 30 September 2017 did not vary significantly from the professional valuation as of 31 March 2017. Accordingly, no fair value adjustment has been recognised in respect of the said investment properties for the six months ended 30 September 2017 and a gain upon reclassification from leasehold land to investment properties of approximately HK\$47,227,000 was recognised in the profit or loss for the six months ended 30 September 2017.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Trade receivables	99	887
Rental, utilities and sundry deposits	2,396	2,855
Prepayments	692	2,013
Other receivables	639	1,805
	<b>3,826</b>	<b>7,560</b>

At 30 September 2017, the aging analysis of trade receivables is as follows:

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
0 to 30 days	99	273
1 to 3 months	—	614
	<b>99</b>	<b>887</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 30 September 2017, all receivables were denominated in HK dollars (31 March 2017: US dollars).

Majority of the Group's export sales is generally on open account of 30 days and letter of credit at sight. The Group considers that the trade receivables as at 30 September 2017 is fully recoverable and believes that no impairment allowance is necessary.

## 13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

At 30 September 2017, the Group had an unlisted investment of HK\$5,869,000 (equivalent to RMB5,000,000) offered by Industrial Bank Co., Ltd (the "Bank") in the PRC. The investment carries interest at expected interest rate of 4% per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the Bank, payable on redemption. The product is principal guaranteed. The financial products held by the Group will come to maturity and will be redeemed automatically at the end of November 2017 and receive the redemption price based on the rate of return as announced by the Bank when redeem.

No change in fair value for the investment is recognised for the six months ended 30 September 2017 as the effect is not significant.

## 14. TRADE AND OTHER PAYABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade payables	—	200
Rental deposits received	1,286	864
Accrued expenses	1,011	1,229
Other payables	245	102
	<hr/> <b>2,542</b> <hr/>	<hr/> <b>2,395</b> <hr/>

The trade payables as at 31 March 2017 were not past due and within 30 days from the invoice date.

All trade payables were denominated in US dollars.

Payment terms with suppliers are generally on letters of credit and open account. Certain suppliers grant credit terms between 30 to 60 days.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
<b>Authorised:</b>		
At 31 March 2017 and 30 September 2017	3,000,000,000	300,000
<b>Issued and fully paid:</b>		
At 31 March 2017 and 30 September 2017	775,406,000	77,540

## 16. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

- (a) At 30 September 2017, the Group's bank loans and obligations under finance leases are repayable as follows:

	30 September 2017 <i>(Unaudited)</i> HK\$'000	31 March 2017 <i>(Audited)</i> HK\$'000
Obligations under finance lease	435	614
Bank borrowings- secured	10,448	27,281
	<b>10,883</b>	27,895
Obligations under finance leases repayable:		
Within one year	140	249
In the second year	145	142
In the third to fifth years, inclusive	150	223
	<b>435</b>	614
Secured bank borrowings repayable within one year or on demand	10,448	27,281
	<b>10,883</b>	27,895
Amount repayable within one year included under current liabilities	<b>(10,588)</b>	(27,530)
Amount repayable after one year	295	365

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

### 16. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Hong Kong dollars	435	16,432
United States dollars	10,448	11,463
	<b>10,883</b>	<b>27,895</b>

- (c) The effective interest rates for the Group's bank loans at the balance sheet date were as follows:

	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Hong Kong dollars	N/A	3.7%
United States dollars	5.1%	4.6%

### 17. BANKING FACILITIES

As at 30 September 2017, the Groups banking facilities amounting to approximately HK\$137,882,000 (31 March 2017: approximately HK\$144,077,000) were secured by the following:

- (a) first legal charge over the Group's investment properties and in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$151,635,000 (31 March 2017: approximately HK\$102,233,000) and a fixed deposit of nil (31 March 2017: HK\$4,510,000); and
- (b) corporate guarantees from the Company and certain of its subsidiaries.

### 18. CONTINGENT LIABILITIES

The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30 September 2017, the facilities utilised amounted to HK\$10,882,000 (31 March 2017: HK\$28,077,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 19. COMMITMENTS

### (a) Capital commitments

As at 30 September 2017, the Group had outstanding capital commitments as follows:–

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Contracted but not provided for: Capital contribution to a subsidiary	<b>51,643</b>	–

As at 30 September 2017, total capital commitments by the Group amounted to approximately HK\$51,643,000 (equivalent to RMB44,000,000) which mainly represented authorised commitments in respect of the capital contribution to a subsidiary.

### (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 within half to three years.

At 30 September 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Within one year	<b>3,384</b>	3,566
In the second to fifth years, inclusive	<b>3,947</b>	5,639
	<b>7,331</b>	9,205

The Group as lessor:

The Group leases its investment properties (note 11) under operating lease arrangement, with leases negotiated for terms ranging between two to four years.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

## 19. COMMITMENTS (CONTINUED)

### (b) Commitments under operating leases (continued)

At 30 September 2017, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within one year	5,930	3,124
In the second to fifth years, inclusive	3,449	1,500
	<b>9,379</b>	<b>4,624</b>

## 20. RELATED-PARTY TRANSACTIONS

### (a) Compensation of key management personnel

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	4,089	5,939

### (b) Amounts due to a shareholder

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Shareholder's loans	104,554	65,363
Accrued interests	2,332	684
	<b>106,886</b>	<b>66,047</b>

Except for a shareholder's loan of HK\$12.6 million is unsecured, interest free and had a term of 36 months, the other shareholder's loans are unsecured with fixed annual interest rate at 4.25% and a term of 24 months.