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 REPORT 2017/18

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:
Mr. Zhou Xinyu *(Chairman)*
Mr. Ren Qingxin (resigned on 5 September 2017)
Mr. Lei Donghui (appointed on 5 September 2017 and resigned on 1 February 2018)
Ms. Niu Fang

Independent Non-executive Directors:
Ms. Ni Lijun
Mr. Shen Guoquan
Ms. Meng Rongfang (resigned on 23 April 2018)
Mr. Chen Jianjun (appointed on 29 May 2018)

COMPANY SECRETARY

Mr. Au Yeung Ho Yin *(HKICPA, Grad ICSA)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit 2307 – 10, 23/F
Everbright Centre
108 Gloucester Road, Wan Chai
Hong Kong

AUDITOR

CHENG & CHENG LIMITED
Certified Public Accountants
10th Floor, Allied Kajima Building
138 Gloucester Road
Wan Chai Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited

LEGAL ADVISORS

Bermuda:
Conyers Dill & Pearman

Hong Kong:
Loeb & Loeb LLP

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda:
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong:
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

0918

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of State Energy Group International Assets Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"). I hereby present the audited annual results of the year ended 31 March 2018 of the Group to the shareholders of the Company (the "**Shareholders**"). The Group has recorded a turnover of approximately HK$19.1 million, representing a decrease of 83.0% as compared to that of approximately HK$112.4 million in 2017. The turnover of our export of garments and sportswear business (the "**Export Business**") and our property investment are HK$13.4 million and HK$5.7 million respectively, representing a decrease of 87.7% and an increase of 66.3% from that of last year; while the profit attributable to equity holders of the Company is HK$13.3 million, compared to the loss of HK$12.7 million last year. The basic earnings per share attributable to the equity holders of the Company is HK1.72 cents. For a detailed overview of the Company's business, please refer to "Management Discussion and Analysis" of this annual report.

The weakening performance in the Export Business with the large-scale hypermarkets and retailers in North America (the "**North America Customers**") in prior years had shown that the operation of the Export Business faces challenges and is not profitable after taking into account of the direct and indirect costs including the selling expenses, operating expenses, management expenses and capital interest related to the Export Business. Therefore, the Group believes that in order to promote the interests of the Shareholders and the Company's long-term development, the priority is to enhance the Export Business's sustainability and profitability, instead of blindly pursuing revenue growth.

Although the Export Business with the North America Customers can generate a certain level of revenue, since it requires a variety of designs and models for customers' selection, matters such as understanding customers' demands, confirming product design solution, obtaining customers' orders confirmation, outsourcing to the factories located in the People's Republic of China (the "**PRC**") for production, executing strict quality assurance programs require a large amount of necessary direct and indirect costs. Customers like Wal-Mart has a strong bargaining power over its suppliers, in order to sustain in such intense and competitive environment, the marketing cost is high. The Group has recorded relatively high overall sales volume in the past but low sales volume for several particular products, making it difficult to generate profit ultimately. The loss of the Group in recent years has indicated this fact.

After thorough examination and research, the Group believes that the overall industrial production level of Africa is relatively weak yet the market demand is abundant. Light industry including textile clothing is underdeveloped such that it has a relatively high dependence on import. The business model of export of wax print cloths to Africa (the "**African Trading Business**") is not entirely different from that of the North American export business, which involves various value added services based on customer's needs, such as provision of advices on production requirement and specification, production management and quality control. The process of product design and production for the African Trading Business currently promoted by the Group is simpler than that of the Export Business with the North America Customers. The products sold in the African market are highly marketable. The overall costs and operating costs are relatively low with stable sales volume of each single product, which can effectively share the direct and indirect costs.

CHAIRMAN'S STATEMENT

The current business model of the African Trading Business is established and developed in response to satisfaction of the requirements of the customers, the products nature and profile and the scale of the Group's operation with relatively low operating expenses. The Group will review the African Trading Business from time to time in order to optimize the operating efficiency and reduce the downtime along the way. The Group continues to accumulate and leverage its experience through understanding customers' need on the wax print cloths to further consolidate its market presence in the African market.

Time is needed for a breakthrough in sourcing new customers and securing new orders since prudent judgement on the transaction terms and potential risks such as customers' background, credit and capital occupied is required. It is expected that the relatively low revenue of the Group for the year ended 31 March 2018 is temporary and the subsequent business performance could be improved.

The Group continues to focus on business opportunities brought by the "One Belt One Road" initiative in the PRC so as to create value for our Shareholders. Specifically, the Group shall focus on exploring the property investment and financial service business opportunities brought by the "One Belt One Road" initiative among which our property investment business shall be based upon our existing principal business, as well as exploring the opportunities to expand the scale of our asset management business under the property funds model, so as to improve our profitability. 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" initiative, setup of our own or joint venture established investment funds, as well as the acquisition of or establishment of licensed financial corporations.

It is the Group's strategy to take a parallel approach to develop dual principal businesses. The Company's dual-development strategy, namely optimizing the current Export Business as well as enhancing property investment, is to strengthen the overall profit model of the Group and to minimize the risk of heavy reliance on one single business segment and create a balanced value return for the Shareholders.

On behalf of the Board, I would like to express our utmost sincere gratitude towards our respectable business partners, clients and Shareholders for their continuous support and trust and to thank our management team and all staff members for their hard work. Moving forward, the Group will be united as one and put our best foot forward in the face of future opportunities and challenges, and endeavor to optimize the return to our Shareholders.

Zhou Xinyu
Chairman

Hong Kong, 28 June 2018

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Xinyu ("Mr. Zhou")

Mr. Zhou, aged 46, is the chairman, chief executive officer and an executive Director of the Company. Mr. Zhou has more than ten years of experience in capital operations, investment banking and financial investment. From December 2013 to June 2015, Mr. Zhou was the deputy general manager of the investment development department of China Huarong Asset Management Co., Limited. From January 2013 to December 2013, he was the assistant to general manager of Huarong Securities Co., Limited. From June 2008 to November 2012, he worked at Guosen Securities Co., Limited. From January 2008 to May 2008, he served as the deputy general manager of the capital market department of Huarong Securities Co., Limited. He also previously served as the senior deputy manager of the investment department of China Huarong Asset Management Corporation from December 2005 to January 2008. From June 2013 to March 2016, Mr Zhou was a non-executive director of Hanhua Financial Holding Co., Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3903). Mr. Zhou obtained his bachelor's degree in engineering mechanics from Xi'an Jiaotong University in the PRC in 1993 and his master's degree in economics (majoring in finance) from the Central University of Finance and Economics in the PRC in 2001. He obtained his doctorate degree in economics (majoring in applied economics economy) from the Chinese Academy of Social Sciences in 2006.

Ms. Niu Fang ("Ms. Niu")

Ms. Niu, aged 43, is an executive Director of the Company. Ms. Niu has more than 10 years of experience in corporate management and business investment. She took part in the establishment of National Business Holdings Group Co., Limited* (國能商業集團有限公司) ("**National Business**"), an indirected holding company of the Company, which, together with its group companies, is engaged in the trading of bulk energy and resources commodities and related investments. She has been National Business's general manager since 2011, and is principally responsible for its strategic planning and business development. Currently, Ms. Niu is also an executive director of each of National Business, Shanghai Guoming Equity Investment Fund Management Co., Limited* (上海國明股權投資基金管理有限公司) and Shanghai Zhongshe Equity Investment Fund Co., Limited* (上海中社股權投資基金有限公司), companies which have interests in the shares and/or underlying shares of the Company which would fall to be disclosed under Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**") and the details of such interests are disclosed below. Ms. Niu obtained a bachelor's degree in economics from Hebei University in the PRC in 1997, and qualified as a mid-level accountant in the PRC in 2004.

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ni Lijun ("Ms. Ni")

Ms. Ni, aged 58, is an independent non-executive Director. Ms. Ni has more than 30 years of experience in construction financial management. From October 2006 to September 2016, Ms. Ni had been the deputy accountant-in-chief and later the accountant in-chief of CSCEC (Russia) Co., Limited. From April 2001 to September 2006, she was deputy manager of the finance department of CSCEC First Division Group Co., Limited. From July 1979 to March 2001, Ms. Ni held various roles in China State Construction First Division Fourth Construction Company including deputy manager of the capital department, deputy manager of the finance department and manager of the project accounting department. Ms. Ni retired in 2015. Ms. Ni graduated from the Distance Learning College of Renmin University of China in 1989, majoring in infrastructure economics, and qualified as a senior accountant in the PRC in 2001.

Mr. Shen Guoquan ("Mr. Shen")

Mr. Shen, aged 53, is an independent non-executive Director. Mr. Shen is a practising lawyer in the PRC, and is currently a senior partner of Allbright Law Offices, specialising in capital market legal practice. From January 2005 to April 2007, Mr. Shen was a fulltime member of the 7th and 8th Share Issuance Examination Committee of the China Securities Regulatory Commission, and is now a member of the 3rd Listing Committee of the Shanghai Stock Exchange. Mr. Shen was an independent director of Beijing HualuBaina Film & TV Co., Limited (stock code: 300291), Shanghai East Money Information Co., Limited (stock code: 300059), Suzhou TA&A Ultra Clean Technology Co., Limited (stock code: 300390) (all companies listed on Shenzhen Stock Exchange) and Shanghai Xinhua Media Co., Limited (stock code: 600825) (a company listed on Shanghai Stock Exchange). He currently is an independent director of Jiangxi Lianchuang Optoelectronic Science And Technology Co., Limited (stock code: 600363) (a company listed on Shanghai Stock Exchange) and Zibo Qixiang Tengda Chemical Co., Ltd. (stock code: 002408) (a company listed on Shenzhen Stock Exchange). Mr. Shen obtained a master's degree in law from East China University of Politics and Law in 1993, majoring in economic law. From 2008 to 2010, Mr. Shen was accredited as an "Outstanding Lawyer" by the All China Lawyers Association. Since December 2017, Mr. Shen has been an independent non-executive director of Zhenro Properties Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6158).

* *For identification propose only*

DIRECTORS *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

Mr. Chen Jianjun ("Mr. Chen")

Mr. Chen, aged 55, joined the Group in May 2018, is currently an independent non-executive Director. Mr. Chen has over 30 years of experience in financial, operations and business management. Mr. Chen has been an executive director, executive vice president and financial controller of Hunan Song Gui Fang E-Commerce Company Limited* (湖南松桂坊電子商務有限公司) since March 2016. Mr. Chen served as the financial controller of two companies listed on the Main Board of the Stock Exchange from 2003 to 2007 and 2008 to 2011, respectively. Mr. Chen has completed the course of master of business administration conducted by Hong Kong International Business College from February 2006 to July 2007. Mr. Chen is qualified as an accountant in the People's Republic of China.

SENIOR MANAGEMENT

Mr. He Xin ("Mr. He")

Mr. He, aged 36, joined the Group in November 2016, is currently an executive vice president of the Company. Prior to joining the Group, Mr. He served as a business director of the investment banking department of Huatai United Securities Co., Ltd. from December 2014 to November 2016. From June 2013 to December 2014, Mr. He served as a business general manager of the investment banking department of Huarong Securities Co., Ltd. Mr. He was a senior manager of the investment banking department of Guosen Securities Co., Limited from January 2008 to May 2013. Mr. He worked in the securities service department of HNA Group Co., Limited from June 2007 to January 2008.

Mr. He obtained a bachelor's degree in management majoring in information management and information system from Shandong University of Finance and Economics in July 2004. In June 2007, Mr. He obtained a master's degree in economics majoring in investment from Zhongnan University of Economics and Law.

* *For identification propose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(CONTINUED)*

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Au Yeung Ho Yin ("Mr. Au Yeung")

Mr. Au Yeung, aged 35, joined the Group in April 2017, is currently the chief financial officer and company secretary of the Company. Mr. Au Yeung holds a bachelor's degree in business management from Newcastle University (formerly known as the University of Newcastle upon Tyne). Mr. Au Yeung was admitted as a graduate member of Hong Kong Institute of Chartered Secretaries in 2012 and a member of the Hong Kong Institute of Certified Public Accountants in 2010. Mr. Au Yeung has extensive experience in financial management, auditing, taxation, and company secretarial matters. Mr. Au Yeung has been chief financial officer and company secretary of several companies listed on the Stock Exchange.

Mr. Zhong Mou ("Mr. Zhong")

Mr. Zhong, aged 39, joined the Group in January 2018, is currently a vice president of the Company. Mr. Zhong holds a bachelor's degree in law, a master's degree in law and a doctoral degree in economics from the University of International Business and Economics. Mr. Zhong has worked in Conic (Singapore) Co., Ltd* (康力克(新加坡)有限公司). Mr. Zhong has extensive experience in law, economic research, international trading and export business.

* *For identification propose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

EXPORT BUSINESS

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in the PRC which are then exported to the United States of America and Africa during the year. The Group has started the African Trading Business since December 2017. The current products sourced by the Group for the African Trading Business are mainly wax print cloths, which are fabric mostly used for traditional clothing in Africa.

In view of the decline in profitability of the Group's Export Business under the original design manufacturer ("**ODM**") business model with the North America Customers, the management of the Group believes that the Export Business should be profit-oriented and has been exploring opportunities with a view to (i) repositioning strategically in the value chain of garment export business to enhance its competitiveness in different markets; and (ii) broadening the income stream by a breakthrough in new customers, new markets and new orders, thus improving the profitability of its Export Business in the long run.

During the year, instead of pursuing orders from the existing Export Business with the North America Customers, the Group focuses on obtaining profitable orders (while reducing the direct and indirect costs) and has been actively identifying new sales channels and product profile, including the development of the African Trading Business.

PROPERTY INVESTMENT

As at 31 March 2018, 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 (the "**Investment Properties**"). For the year ended 31 March 2018, all the Investment Properties were fully leased out. The value of the Investment Properties amounted to approximately HK$156.1 million based on the independent valuation of the Investment Properties as at 31 March 2018 (31 March 2017: approximately HK$79.7 million).

FINANCIAL REVIEW

TURNOVER

The Group recorded a turnover of approximately HK$19.1 million for the year ended 31 March 2018, representing a decrease of approximately 83.0% as compared to that of approximately HK$112.4 million for the year ended 31 March 2017.

Turnover derived from the Export Business decreased by approximately 87.7% from approximately HK$109.0 million for the year ended 31 March 2017 to approximately HK$13.4 million for the year ended 31 March 2018. The Company faced immense difficulties in obtaining sustainable profitable sales orders from the North American market mainly due to the increase in customers' demand for product design, quality control and product inspection and relatively high indirect costs.

Instead of pursuing orders from the existing North American Export Business, the Group has expanded the Export Business into African markets since December 2017. The Group generated turnover of approximately HK$13.0 million from the African Trading Business during the year.

Turnover derived from property investment increased by approximately 66.3% from approximately HK$3.4 million for the year ended 31 March 2017 to approximately HK$5.7 million for the year ended 31 March 2018. This was mainly due to the increase in the number of properties leased out during the year ended 31 March 2018. Those were previously used as offices of the Group.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK$0.7 million in respect of the Export Business for the year ended 31 March 2018, representing a decrease of approximately 97.3% as compared to approximately HK$26.5 million for the year ended 31 March 2017. The decrease was mainly in line with the decrease in revenue.

The gross profit margin of the Export Business was approximately 5.4% for the year ended 31 March 2018 compared to approximately 24.3% for the year ended 31 March 2017. The decrease was due to the Group's strategy to carry out the African Trading Business at relatively lower gross profit in consideration of its product nature and business model instead of pursuing sales orders with the North American Customers during the year ended 31 March 2018.

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 2018 representing an increase of approximately 66.3% as compared to approximately HK$3.4 million for the year ended 31 March 2017. The increase was due to the increase in the number of the Investment Properties leased out and the increase in monthly rental income.

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses decreased by approximately 80.7% from approximately HK$10.0 million for the year ended 31 March 2017 to approximately HK$1.9 million for the year ended 31 March 2018. The decrease was mainly due to the reduction in staff costs and overseas travelling expenses following the significant decrease in the number of selling, distribution and marketing employees for the Export Business in relation to the North American market.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 56.9% from approximately HK$28.2 million for the year ended 31 March 2017 to approximately HK$44.2 million for the year ended 31 March 2018. The increase was mainly due to the increase in office rental expenses, legal and professional fees, staff costs for several possible acquisition projects and written off of fixed assets and other receivables.

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 offices 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. 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.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net gain on fair value change of investment properties of approximately HK$6.6 million (2017: approximately HK$1.0 million) represented fair value adjustment of the Group's Investment Properties located in Hong Kong and the PRC as at 31 March 2018.

The Investment Properties were revalued based on their open market value as at 31 March 2018 by Access Partners Consultancy & Appraisals Limited, an independent qualified professional valuer.

FINANCE COST

Finance cost increased by approximately 56.6% from approximately HK$3.2 million for the year ended 31 March 2017 to approximately HK$5.9 million for the year ended 31 March 2018. This was mainly due to the increase in shareholder's loans with interest rate at 4.25% p.a. for general working capital of the Group.

PROSPECTS

In view of the weakening performance in the Export Business in the North American market, the management of the Group has been accumulating experience in the operation of the Export Business. The Group has expanded the Export Business to African markets since December 2017. The Group will continue to identify suitable customers and expand its sales coverage in Africa, with a view that the African Trading Business will become a major revenue stream of the Export Business.

Up to the date of this annual report, the cumulative sales orders which have been obtained since the commencement of the African Trading Business in December 2017 amounted to US$7.0 million (equivalent to approximately HK$54.6 million). Considering the satisfactory results of the sales cooperation with a customer in Africa (the "**Africa Customer**") in the past few months, the Company has entered into a supplemental agreement to extend the contract term of the original cooperation agreement to 3 years. Along with the growth in trading volume of wax print cloths, the Group is expected to be able to secure more favourable trading terms from the suppliers' side, thus enhancing the profitability of its African Trading Business.

Besides African market, the Group has been targeting at and under negotiation with some overseas customers in Australia, which owns and operates a chain of clothing stores for men and women. An Australian retailer has placed orders of approximately US$571,000 (equivalent to approximately HK$4.5 million) with the Group in May 2018.

On the other hand, the Company remains keen to explore possible acquisition opportunities that would faciliate the expansion of the Company's existing businesses and increase the profitability of the Group.

The Group has proactively allocated more resources for its property investment business in order to diversify the Group's existing property portfolio. Out of the potential opportunities that the Group studied, the Group is currently conducting a feasibility assessment and has entered into a memorandum of understanding ("**MOU**") in respect of a potential acquisition of a majority stake in a factory complex in Georgia ("**Potential Factory Acquisition**"). The seller is an independent third party.

The factory complex is equipped with European sewing and cutting machineries already in place for production and is currently leased to a subcontractor of Moncler SpA for import processing of jackets. The Company has started preliminary review of information relating to the factory complex.

If the Potential Factory Acquisition materialises and a trusted business relationship is developed with the tenant of the factory complex, currently a subcontractor of Moncler SpA, the Company may be able to leverage such relationship to further expand its garment export business geographically in Eastern Europe as well as complement the Export Business and to explore any potential business opportunities with Moncler SpA.

The Group will continue to look for new business opportunities to diversify its business in order to generate better returns for the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the year ended 31 March 2018, 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$22.3 million as of 31 March 2018 (2017: approximately HK$8.3 million).

BANK AND OTHER BORROWINGS

As at 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.

As at 31 March 2017, bank and other borrowings of the Group amounted to approximately HK$93.3 million, including bank loans of approximately HK$27.3 million, obligations under finance leases of approximately HK$0.6 million and shareholder's loans of approximately HK$65.4 million. Among total bank and other borrowings, approximately HK$27.6 million are repayable within one year, 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.

LEVERAGE

The ratio of current assets to current liabilities of the Group was approximately 0.46 as at 31 March 2018 compared to approximately 0.68 as at 31 March 2017. The deterioration in current ratio was due to the increase in amounts due to a shareholder. The Group's gearing ratio as at 31 March 2018 was approximately 243.4% (31 March 2017: approximately 338.3%), which is calculated based on the Group's bank and other borrowings of approximately HK$131.5 million (31 March 2017: approximately HK$93.3 million) and the Group's total equity approximately HK$54.0 million (31 March 2017: approximately HK$27.6 million). The decrease in gearing ratio was due to the increase in 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.

RISK MANAGEMENT

Our principal financial instruments include inventories, trade receivables, deposits and other receivables, pledged bank deposit, 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 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 2018 and 2017, 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 31 March 2018, trade receivables and trade payables of the Group were approximately HK$6.3 million and approximately HK$4.7 million (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.

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 2018, bank and other borrowings of approximately HK$123.3 million (31 March 2017: approximately HK$81.8 million) and approximately HK$8.2 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, 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 2018, 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$28.5 million (31 March 2017: approximately HK$102.2 million) and a fixed deposit of approximately HK$0.6 million (31 March 2017: approximately HK$4.5 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 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2018.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the year ended 31 March 2018 are set out in note 5 to the consolidated financial statements attached to this annual report.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 31 March 2018 are set out in note 29(A) to the consolidated financial statements attached to this annual report.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2018, the utilised facilities amounted to approximately HK$8.2 million (31 March 2017: approximately HK$27.3 million).

Except for the foregoing, as at 31 March 2018, the Group had no other significant contingent liabilities or pending litigation.

SUBSEQUENT EVENTS

As at 31 March 2018, details of the subsequent events of the Group are set out in note 33 to the consolidated financial statements attached to this annual report.

STAFF AND REMUNERATION POLICIES

As of 31 March 2018, the Group had a total of 38 employees (31 March 2017: 16 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2018 amounted to approximately HK$21.0 million (31 March 2017: approximately HK$17.3 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 2018, 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 2018 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards.

Subsequent to the year ended 31 March 2018, Ms. Meng Rongfang ("**Ms. Meng**") resigned as independent non-executive Director and chairman of the Audit Committee on 23 April 2018. 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and there is a vacancy for chairman of the Audit Committee.

In order to comply with the requirement under Rule 3.21 and 3.23 of the Listing Rules, on 29 May 2018, Mr. Chen, the independent non-executive Director has been appointed as chairman of the Audit Committee.

The Audit Committee currently comprises three independent non-executive Directors (the "**INED(s)**"), namely Ms. Ni, Mr. Shen and Mr. Chen.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment.

An analysis of the Group's results, assets and liabilities by business and geographical segments is set out in note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2018 attributable to the Group's major customers and suppliers are as follows:

	2018	2017
	%	%
Sales		
— The largest customer	**68**	81
— Five largest customers combined	**97**	99
Purchases		
— The largest supplier	**52**	50
— Five largest suppliers combined	**100**	98

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers as mentioned above.

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the Management Discussions and Analysis on pages 9 to 17.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("**AGM**") to be held on Thursday, 27 September 2018, the register of members of the Company will be closed from Friday, 21 September 2018 to Thursday, 27 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 20 September 2018.

RESERVES

Movements in the reserves of the Group and those of the Company during the year ended 31 March 2018 are set out in page 49 and note 30 to the consolidated financial statements respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity of the Group during the year ended 31 March 2018 is shown on page 49.

DONATIONS

The Group did not make any donations during the year ended 31 March 2018 (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties held by the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at 31 March 2018 (2017: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years ended 31 March 2018 is set out on page 109.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year ended 31 March 2018. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year ended 31 March 2018.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2018 are set out in note 31 to the consolidated financial statements.

ANALYSIS OF BANK LOANS AND OTHER BORROWINGS

The Group's bank loans and other borrowings including shareholder's loans as at 31 March 2018 were repayable over the following periods:

	Bank borrowings HK$'000	**Other borrowings** HK$'000
Within one year or on demand	8,218	65,506
In the second year	—	45,109
In the third to fifth year inclusive	—	12,675
	8,218	123,290

DIRECTORS

The Directors during the year ended 31 March 2018 and up to the date of this report are as follows:

Executive Directors

Mr. Zhou Xinyu *(Chairman & Chief executive officer)*	(appointed as chairman of the Board on 1 February 2018)
Ms. Niu Fang	
Mr. Lei Donghui *(Chairman)*	(appointed on 5 September 2017 and resigned on 1 February 2018)
Mr. Ren Qingxin *(Chairman)*	(resigned on 5 September 2017)

Independent non-Executive Directors

Ms. Ni Lijun	
Mr. Shen Guoquan	
Ms. Meng Rongfang	(resigned on 23 April 2018)
Mr. Chen Jianjun	(appointed on 29 May 2018)

All the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Bye-law 86(2) of the Company's bye-laws (the "**Bye-laws**"). Ms. Ni, Mr. Shen and Mr. Chen will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Subsequent to the year ended 31 March 2018, Ms. Meng resigned as INED and chairman of the Audit Committee on 23 April 2018. Following the resignation of Ms. Meng, the Company had not complied with Rules 3.10(1) and 3.21 of the Listing Rules which were explained below:

(i) The number of the INEDs falls below the minimum number required under Rules 3.10(1) of the Listing Rules; and

(ii) the number of members of the Audit Committee falls below the minimum number required under Rule 3.21 of the Listing Rules.

On 29 May 2018, Mr. Chen was appointed as an independent non-executive Director and a chairman of the Audit Committee. Following the appointment of Mr. Chen, the Company has fulfilled the requirements under Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Zhou and Ms. Niu has entered into a letter of appointment with the Company on 22 November 2016, pursuant to which each of them has been appointed for a term of two years as an executive Director with effect from 22 November 2016 and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Each of the independent non-executive Directors, Ms. Ni and Mr. Shen, has entered into a letter of appointment with the Company on 22 November 2016 and Mr. Chen has entered into a letter of appointment with the Company on 29 May 2018, pursuant to which each of the independent non-executive Directors has been appointed for a term of two years as an independent non-executive Director with effect from 22 November 2016 and 29 May 2018 respectively, and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Apart from the aforesaid, none of the existing Directors, including the Directors proposed for re-election at the forthcoming annual general meeting of the Company, has entered into any other service contract with the Company. No Director has a service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in note 9(A) to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year nor had there been any contract of significance which had been entered into between the Company or any of its subsidiaries and a controlling shareholder of the Company during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Except for the Directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2018.

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

As at 31 March 2018, the interests and short positions of each Director, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)) 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 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**") 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	Interest in controlled corporation *(Note)*	546,448,493 *(Note)*	70.47%

Note:

These shares were held by State Energy HK Limited ("**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 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.

* *For identification purposes only*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE 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 corporation
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 *(Note 3)*	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.

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

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 31 March 2018.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executives 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.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of an acquisition of Shares, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year ended 31 March 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2018, 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	Numer of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
State Energy HK	Beneficial owner *(Note 1)*	546,448,493	70.47%
National Business	Interest of controlled corporation *(Note 1)*	546,448,493	70.47%
Shanghai Guoming	Interest of controlled corporation *(Note 1)*	546,448,493	70.47%
Shanghai Zhongshe	Interest of controlled corporation *(Note 1)*	546,448,493	70.47%
Liu Quanhui ("**Mr. Liu**")	Interest of controlled corporation *(Note 1)*	546,448,493	70.47%
Hu Zhangcui ("**Ms. Hu**")	Interest of spouse *(Note 2)*	546,448,493	70.47%
Chong Kin Group Holdings Limited ("**Chong Kin**")	Security interest of the Shares *(Note 3)*	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 is the spouse of Mr. Liu, and thus she was deemed to be interested in the shares of the Company in which Mr. Liu is interested pursuant to the SFO.

3. On 12 February 2018, State Energy HK entered into a loan agreement with Chong Kin, an independent third party. An aggregate of 546,448,493 shares of the Company (the "**Shares**") held by State Energy HK, representing approximately 70.47% of the total number of issued Shares, have been charged on 12 February 2018 in favour of Chong Kin as security for the loan.

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 31 March 2018.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 9(A) and note 9(B) to the consolidated financial statements attached to this annual report.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 23(C) to the consolidated financial statements.

No options under the above scheme were granted nor exercised during the year ended 31 March 2018 and no options were outstanding as at 31 March 2018.

At no time during the year ended 31 March 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit, the internal controls and risk evaluation.

Subsequent to the year ended 31 March 2018, Ms. Meng resigned as INED and chairman of the Audit Committee on 23 April 2018. 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 the Company.

In order to comply with the requirement under Rule 3.21 and 3.23 of the Listing Rules, on 29 May 2018, Mr. Chen, the independent non-executive Director has been appointed as chairman of the Audit Committee.

Currently, the Audit Committee comprises three INEDs, namely, Ms. Ni, Mr. Shen and Mr. Chen. Two meetings were held during the year ended 31 March 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2018.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Ms. Ni, Mr. Shen and Mr. Chen, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2018.

AUDITOR

The consolidated financial statements have been audited by Cheng & Cheng Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Zhou Xinyu
Chief Executive Officer & Executive Director

Hong Kong, 28 June 2018

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 2018 except for the following deviations:

1. 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 have been held by Mr. Zhou since 1 February 2018. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Zhou and believes that his dual roles will be beneficial to the Group.

2. 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. Ms. Meng was unable to attend the general meeting held on 21 April 2017 and 22 August 2017 and Ms. Ni was unable to attend the general meeting held on 21 April 2017 as they had other business engagements. However, subsequently the company secretary of the Company (the "**Company Secretary**") reported to them the views of the shareholders of the Company in the aforementioned general meeting. As such, the Board considers that a mutual understanding on the views of the Company's shareholders has been reached among the INEDs.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

The positions of chairman and chief executive officer of the Company have been held by Mr. Zhou since 1 February 2018. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Zhou and believes that his dual roles will be beneficial to the Group.

The key role of chairman of the Board is to provide leadership to the Board. In performing his duties, chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group.

The key role of chief executive officer includes the day-to-day management and operations of the Company and the business of the Group. The main duties of chief executive officer are as follows:

- providing leadership and supervising the effective management of the Group and fully presiding the daily operation of the Group;
- monitoring and controlling the financial and operational performance of various divisions;
- implementing the strategy and policies adopted by the Group, setting and implementing objectives and development plans;
- signing the relevant agreement, contract and handling relevant matters according to the authorisation of the Board; and
- Implementing other matters authorised by the Board.

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 enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2018, except for Ms. Niu, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2018.

Director's confirmation, among others, confirming the compliance with the Model Code during the year ended 31 March 2018, was sent to Ms. Niu on 14 June and 26 June 2018, no such confirmation has been received from Ms. Niu up to the date of this report.

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.

BOARD OF DIRECTORS

The Board currently consists of a total of five Directors, comprising two executive Directors and three INEDs. The composition of the Board during the year and up to the date of this report are:

Executive Directors	
Mr. Zhou Xinyu *(Chairman & Chief executive officer)*	(appointed as chairman of the Board on 1 February 2018)
Ms. Niu Fang	
Mr. Lei Donghui *(Chairman)*	(appointed on 5 September 2017 and resigned on 1 February 2018)
Mr. Ren Qingxin *(Chairman)*	(resigned on 5 September 2017)
Independent non-Executive Directors	
Ms. Ni Lijun	
Mr. Shen Guoquan	
Ms. Meng Rongfang	(resigned on 23 April 2018)
Mr. Chen Jianjun	(appointed on 29 May 2018)

None of the existing Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other existing Director.

Except for Mr. Chen, who has entered into a letter of appointment with the Company on 29 May 2018, all the existing INEDs have entered into a letter of appointment with the Company on 22 November 2016, pursuant to which each of the INEDs has been appointed for a term of two years as an INED and renewable automatically for successive term of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

Subsequent to the year ended 31 March 2018, Ms. Meng resigned as INED and chairman of the Audit Committee on 23 April 2018. Following the resignation of Ms. Meng, the Company had not complied with Rules 3.10 (1) and 3.21 of the Listing Rules which were explained below:

(i) The number of the INEDs falls below the minimum number required under Rule 3.10(1) of the Listing Rules; and

(ii) the number of members of the Audit Committee falls below the minimum number required under Rule 3.21 of the Listing Rules.

On 29 May 2018, Mr. Chen was appointed as an independent non-executive Director and a chairman of the Audit Committee. Following the appointment of Mr. Chen, the Company has fulfilled the requirements under Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All existing Directors have confirmed with the Company that they have participated in appropriate continuous professional development activities, which relate to financial and general management or regulatory and corporate governance, either by attending seminars or by reading materials relevant to the Group's business or to Directors' duties and responsibilities during the year.

The individual training records of each existing Director for the year ended 31 March 2018 are set out below:

Name of Directors	Attending seminars/ conferences/ forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
Executive Directors		
Mr. Zhou Xinyu	√	√
Ms. Niu Fang (Note)	—	—
INEDs		
Ms. Ni Lijun	√	√
Mr. Shen Guoquan	√	√

Note: Director's Confirmation, among others, confirming the participation in director's continuous professional development, was sent to Ms. Niu on 14 June and 26 June 2018, no such confirmation has been received from Ms. Niu up to the date of this report.

INEDS

Throughout the year ended 31 March 2018, the Company has complied with the requirements under Rules 3.10A, 3.10(1) and (2) of the Listing Rules that require the board of directors of a listed issuer to include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. Two of the INEDs are qualified accountants and one of the INEDs is a practising lawyer.

Subsequent to the year ended 31 March 2018, Ms. Meng resigned as independent non-executive Director and chairman of the Audit Committee on 23 April 2018. Following the resignation of Ms. Meng, the Company had not complied with Rules 3.10(1) and 3.21 of the Listing Rules which were explained below:

(i) The number of the independent non-executive Directors falls below the minimum number required under Rules 3.10(1) of the Listing Rules; and

(ii) the number of members of the Audit Committee falls below the minimum number required under Rule 3.21 of the Listing Rules.

On 29 May 2018, Mr. Chen was appointed as an independent non-executive Director and a chairman of the Audit Committee. Following the appointment of Mr. Chen, the Company has fulfilled the requirements under Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

The INEDs actively participated in board meetings of the Company. The Audit Committee, the Remuneration Committee and the nomination committee of the Company (the "**Nomination Committee**") comprise a majority of INEDs.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent.

RESPONSIBILITIES OF DIRECTORS AND MANAGEMENT

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the adopted business strategies, adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations. All Directors have made full and active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

All newly appointed Directors will receive a formal and tailored induction on the first occasion of their appointment in order to ensure that they will have a proper understanding of the operations and business of the Company and that they will be fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements, and the Company's business and governance policies.

The executive Directors and the senior management are delegated with respective levels of authorities with regard to key corporate strategies and policy and contractual commitments. Senior management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the Group's business.

The Board is also responsible for the preparation of the consolidated financial statements. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing the consolidated financial statements, appropriate accounting policies have been adopted and applied consistently, and reasonable and prudent judgment and estimates have been made.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measureable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

SUMMARY OF THE BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diversity to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

MEASURABLE OBJECTIVES

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

MONITORING AND REPORTING

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

BOARD MEETING

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year ended 31 March 2018, nine meetings have been held by the Board and the attendance of each of the Directors is as follows:

	Attendance/number of meetings held during the year ended 31 March 2018 (during appointment period)					
Name of Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meeting**	**AGM**	**Special General Meeting**
Executive Directors						
Mr. Zhou Xinyu *(Chairman) (Note 1)*	9/9	n/a	n/a	1/1	1/1	1/1
Ms. Niu Fang	9/9	n/a	2/2	n/a	1/1	0/1
Mr. Lei Donghui *(Chairman) (Note 2)*	2/4	n/a	n/a	n/a	n/a	n/a
Mr. Ren Qingxin *(Chairman) (Note 3)*	2/3	n/a	n/a	1/1	1/1	0/1
INEDs						
Ms. Ni Lijun	9/9	2/2	2/2	3/3	1/1	0/1
Mr. Shen Guoquan	9/9	2/2	2/2	3/3	1/1	1/1
Ms. Meng Rongfang *(Note 4)*	9/9	2/2	n/a	n/a	0/1	0/1

Notes:

1. Mr. Zhou was appointed as chairman of the Company on 1 February 2018 and appointed as chairman of the Nomination Committee on 5 September 2017.

2. Mr. Lei was appointed on 5 September 2017 and resigned on 1 February 2018.

3. Mr. Ren resigned on 5 September 2017.

4. Ms. Meng resigned on 23 April 2018.

AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs:

Ms. Ni Lijun	
Mr. Shen Guoquan	
Ms. Meng Rongfang *(Chairman)*	(resigned on 23 April 2018)
Mr. Chen Jianjun *(Chairman)*	(appointed on 29 May 2018)

The Audit Committee was responsible for, amongst other things, overseeing the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control and risk management of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

During the year ended 31 March 2018, there was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor. The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements.

During the year ended 31 March 2018, the Audit Committee held two meetings. Matters considered at the meetings included review of the Group's interim results for the six months ended 30 September 2017 and the annual results for the year ended 31 March 2018, the fees for engaging the external auditor to provide the audit for the relevant years/period, the independence of the external auditor, the Company's financial control, internal control and risk management system. The attendance of each member at the Audit Committee meetings held during the year had been disclosed earlier in this report.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director:

Mr. Shen Guoquan *(Chairman)*
Ms. Ni Lijun
Ms. Niu Fang

The objectives of the Remuneration Committee are to determine and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and key executives to operate the Company successfully. The Remuneration Committee also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies. The Remuneration Committee is provided with other resources to enable it to fully discharge its duties. The terms of reference of the Remuneration Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2018, two Remuneration Committee meetings were held and the attendance of each of the members of the Remuneration Committee has been disclosed earlier in this report. The Remuneration Committee has considered the remuneration of the Directors and senior management and made recommendations to the Board. The Board has no disagreement with the Remuneration Committee on remuneration or compensation arrangements with regard to executive Directors and senior management.

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding directors' remuneration and the five highest paid employees are shown in note 9 to the consolidated financial statements.

Remuneration payable and other benefits to three senior managements who are not Directors for the year ended 31 March 2018 is set out below:

	Number of employees
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
	3

NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive director:

Mr. Zhou Xinyu *(Chairman)*	(appointed on 5 September 2017)
Mr. Shen Guoquan	
Ms. Ni Lijun	
Mr. Ren Qingxin *(Chairman)*	(resigned on 5 September 2017)

The objectives of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Nomination Committee should identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals eligible for nomination of directorships, assess the independence of the INEDs, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. A new Director will be informed of the role of the Board and his/her duties and obligation of being a director of a listed company. The terms of reference of the Nomination Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2018, the Nomination Committee held three meetings to consider the revision of the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the INEDs. The attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.

COMPANY SECRETARY

Mr. Au Yeung was appointed as the Company Secretary to replace Mr. Tong Yat Chong ("**Mr. Tong**") on 7 April 2017. Mr. Au Yeung is a full time employee of the Company. The role of the Company Secretary is to ensure that the Directors have access to all necessary information and that all Board procedures are followed. He also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Mr. Au Yeung reports directly to the chairman and the chief executive officers of the Company, and all Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. Mr. Au Yeung has confirmed that they have fulfilled the requirement of taking no less than 15 hours of relevant professional training during the year ended 31 March 2018.

AUDITOR'S REMUNERATION

The fees paid to the external auditor of the Company, for audit and non-audit services including taxation services for the year ended 31 March 2018 amounted to approximately HK$932,000.

In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Cheng & Cheng Limited as the external auditor of the Company for the year ending 31 March 2019, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 27 September 2018. There is no external auditors of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

ACCOUNTABILITY

Being accountable for the proper stewardship of the Group's affairs, the Directors acknowledge their responsibility for ensuring that proper accounting records are kept and relevant consolidated financial statements, as in the annual report and the interim report of the Company, are prepared to give a true and fair view of the state of affairs of the Group for each of the financial periods.

In preparing the consolidated financial statements for the year ended 31 March 2018, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants
- selected and applied consistently the appropriate accounting policies
- made judgments and estimates that are prudent and reasonable
- prepared the consolidated financial statements on the going concern basis

The management provides the Board with such information and explanations necessary to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The statement by the auditor of the Company about their reporting responsibilities are set out on pages 43 to 45 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has, through the Audit Committee, conducted interim and annual reviews of the adequacy and effectiveness of the Group's internal control system covering the financial, operational, compliance and risk management functions. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

While the Audit Committee conducts continuous review on the adequacy and effectiveness of existing internal controls and risk management systems of the Company on behalf of the Board, the day-to-day responsibility for the conduct of these control procedures, the on-going monitoring of risks and the effectiveness of the corresponding internal controls rest with the management of each business units.

In order to improve the Group's internal controls and risk management, the Company has engaged Zhonghui Anda Risk Services Limited ("**Zhonghui Anda**") to review the procedures, systems, controls and potential risk areas for the Group. Zhonghui Anda has submitted its internal control review and risk assessment reports of the Group to the Audit Committee and the Board in June 2018. Findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate, and to further enhance the effectiveness of the internal controls and risk management, the Company has implemented an ongoing internal control and risk management review measures suggested by Zhonghui Anda.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company, its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR NOMINATION OF A DIRECTOR

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his/her willingness to be elected together with his/her personal particulars and information required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's principal place of business (Unit 2307 – 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong) or at its branch share registrar in Hong Kong, Tricor Abacus Limited (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

RIGHT AND PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Special general meetings shall be convened on the written requisition of one or more shareholders of the Company holding, at the date of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary (Unit 2307 – 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 2 months after the deposit of such requisition.

INDEPENDENT AUDITOR'S REPORT

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
10th Floor, Allied Kajima Building
138 Gloucester Road, Wanchai, Hong Kong

TO THE SHAREHOLDERS OF STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

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

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

BASIS FOR DISCLAIMER OF OPINION

FUNDAMENTAL UNCERTAINTY RELATED TO GOING CONCERN

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

CHENG & CHENG LIMITED
Certified Public Accountants
Chan Shek Chi

Practising Certificate number P05540
Hong Kong, 28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Turnover	5	**19,133**	112,447
Cost of sales		**(12,706)**	(82,542)
Gross profit		**6,427**	29,905
Other income	5	**2,713**	911
Selling, distribution and marketing expenses		**(1,932)**	(10,036)
Administrative expenses		**(44,232)**	(28,185)
Net loss on foreign currency forward contracts		**–**	(1,071)
Gain upon reclassification from leasehold land to investment properties	16,17	**47,227**	–
Changes in fair value of investment properties	17	**6,647**	951
Operating profit/(loss)		**16,850**	(7,525)
Finance costs	6	**(5,893)**	(3,169)
Profit/(loss) before taxation	7	**10,957**	(10,694)
Income tax expense	10	**(41)**	(2,055)
Profit/(loss) for the year		**10,916**	(12,749)
Other comprehensive 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	12	**2,019**	–
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of buildings held for own use	12	**–**	392
Total comprehensive profit/(loss) for the year		**12,935**	(12,357)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**13,339**	(12,749)
Non-controlling interests		**(2,423)**	–
		10,916	(12,749)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company		**14,475**	(12,357)
Non-controlling interests		**(1,540)**	–
		12,935	(12,357)
Earnings/(loss) per share attributable to equity holders of the Company			
–basic (HK cents)	13	**1.72**	(1.64)
–diluted (HK cents)	13	**1.72**	(1.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**5,037**	12,581
Leasehold land	16	**–**	14,975
Investment properties	17	**156,107**	79,741
Deferred tax assets	26	**–**	1,052
		161,144	108,349
Current assets			
Inventories	18	**6,946**	11
Trade receivables	19	**6,312**	887
Deposits, prepayments and other receivables	19	**3,491**	6,673
Pledged bank deposit	20	**550**	4,510
Cash and cash equivalents	20	**22,280**	8,328
		39,579	20,409
Total assets		**200,723**	128,758
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	23	**77,540**	77,540
Reserves		**(32,217)**	(49,977)
		45,323	27,563
Non-controlling interests		**8,680**	–
Total equity		**54,003**	27,563
LIABILITIES			
Non-current liabilities			
Bank borrowings and obligations under finance leases	24	**223**	365
Amounts due to a shareholder	25	**56,269**	66,047
Deferred tax liabilities	26	**3,847**	4,858
		60,339	71,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Current liabilities			
Trade payables	*21*	**4,674**	200
Other payables and accrued charges	*22*	**4,529**	2,195
Bank borrowings and obligations under finance leases	*24*	**8,360**	27,530
Amounts due to a shareholder	*25*	**68,818**	—
		86,381	29,925
Total liabilities		**146,720**	101,195
Total equity and liabilities		**200,723**	128,758
Net current liabilities		**(46,802)**	(9,516)
Total assets less current liabilities		**114,342**	98,833

Approved and authorised for issue by the Board of Directors on 28 June 2018 and are signed on its behalf by:

Zhou Xinyu
Chairman

Ni Lijun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to equity holders of the Company									
	Share Capital	Share Premium	Revaluation Reserve	Consolidation Reserve	Translation Reserve	Capital Reserve	Accumulated Losses	Sub Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2016	77,540	66,894	11,463	2,214	(988)	–	(117,203)	39,920	–	39,920
Loss for the year	–	–	–	–	–	–	(12,749)	(12,749)	–	(12,749)
Other comprehensive income for the year	–	–	392	–	–	–	–	392	–	392
Total comprehensive income/(loss) for the year	–	–	392	–	–	–	(12,749)	(12,357)	–	(12,357)
Balance at 31 March 2017	77,540	66,894	11,855	2,214	(988)	–	(129,952)	27,563	–	27,563
Profit for the year	–	–	–	–	–	–	13,339	13,339	(2,423)	10,916
Other comprehensive income for the year	–	–	–	–	1,136	–	–	1,136	883	2,019
Total comprehensive income/(loss) for the year	–	–	–	–	1,136	–	13,339	14,475	(1,540)	12,935
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	10,220	10,220
Equity contribution from a shareholder	–	–	–	–	–	3,285	–	3,285	–	3,285
Balance at 31 March 2018	77,540	66,894	11,855	2,214	148	3,285	(116,613)	45,323	8,680	54,003

Note:

a) Share premium

The application of the share premium is governed by section 40 of the Companies Act 1981 of Bermuda.

b) Revaluation reserve

It represents gains/losses arising on the revaluation of the Group' s buildings (other than investment properties). The balance on this reserve is wholly non-distributable.

c) Consolidation reserve

It represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganization.

d) Translation reserve

It represents all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 (c).

e) Capital reserve

It represents the differences between the loans nominal amount of HK$57,563,000 and the fair value of HK$54,278,000 of loans granted by a shareholder during the year ended 31 March 2018, At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loans nominal amount and present value of HK$3,285,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Operating activities			
Cash (used in)/generated from operations	*28(A)*	**(37,437)**	8,574
Net cash flows (used in)/from operating activities		**(37,437)**	8,574
Investing activities			
Release/(placement) of pledged bank deposit		**3,960**	(1)
Interest received		**345**	16
Purchases of plant and equipment		**(2,290)**	(1,695)
Payment to settlement of derivative financial instrument		**—**	(5,570)
Net cash flows from/(used in) investing activities		**2,015**	(7,250)
Financing activities			
Proceeds from bank borrowings		**—**	134,287
Repayment of bank borrowings		**(19,063)**	(197,599)
Capital element of finance lease obligations paid		**(249)**	(571)
Loans from a shareholder		**57,563**	65,363
Interest paid		**(1,115)**	(2,456)
Interest element of finance lease obligations		**(16)**	(29)
Capital contribution from non-controlling interests		**10,220**	—
Net cash flow from/(used in) financing activities		**47,340**	(1,005)
Net increase in cash and cash equivalents		**11,918**	319
Cash and cash equivalents at the beginning of the year		**8,328**	8,009
Effects of exchange rate changes, net		**2,034**	—
Cash and cash equivalents at the end of the year	*28(C)*	**22,280**	8,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 Unit 2307 - 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

During the year ended 31 March 2018, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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 and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and buildings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION *(CONTINUED)*

The Group had net current liabilities of approximately HK$46,802,000 as at 31 March 2018 (2017: approximately HK$9,516,000) and operating cash out flow of approximately HK$37,437,000 for the year ended 31 March 2018. In addition, refer to the Group's announcement on 25 April 2018, State Energy HK Limited ("**State Energy HK**"), the immediate parent of the Company, which has advanced to the Group for amount of approximately HK$125,087,000, has received a letter claiming that joint and several receivers of 546,448,493 ordinary shares of the Company (representing 70.47% of the issued share capital of the Company) were appointed. The material uncertainty related to the outcome of the above which may cast significant doubt on the immediate parent's ability to provide continuous financial support to the Group, which in turn would affect the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the management of the Company has taken the following steps to improve the Group's financial position:

(1) Additional bank borrowings

After the year ended 31 March 2018, the Group had obtained new banking facilities amounted to HK$35,000,000, of which HK$15,000,000 is a revolving loan which is charged at an interest rate of 3% per annum over Hong Kong Interbank Offered Rate ("**HIBOR**") or 1.5% per annum below Hong Kong Dollar Prime Rate ("**Prime Rate**"), whichever is lower; and HK$20,000,000 is a term loan which carries interest at 2% per annum over HIBOR or 1.5% per annum below Prime Rate, whichever is lower and is repayable in 8 years.

At the date of this report, the Group had utilised HK$35,000,000 of such banking facilities to finance its operating activities.

(2) Monitoring of the Group's operating cash flows

The Group has taken various measures to tighten cost controls over operating costs and expenses with the aim to attain profitable and positive cash flow operations. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION *(CONTINUED)*

The validity of the going concern basis on which the consolidated financial statements are prepared is dependant on the successful and favorable outcomes of the events as described in the previous paragraphs. The directors have given careful consideration to the Group's financial performance and liquidity position and also in the opinion that the receivership of the immediate parent is believed to have no material impact on the operation of the Group. 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 additional 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. Therefore, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern basis be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

New and amended Standards applied in the current year

In the current year, the Group has applied for the following new and amended HKFRSs issued by the HKICPA for the first time for the financial year beginning 1 April 2017:

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

There is no material impact on the consolidated financial statements of the Group as the amendments to HKFRSs were consistent with policies already adopted by the Group. However, additional disclosure has been included in note 28(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION *(CONTINUED)*

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 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]

1 *Effective for annual periods beginning on or after 1 January 2018.*
2 *Effective for annual periods beginning on or after 1 January 2019.*
3 *Effective for annual periods beginning on or after a date to be determined.*
4 *Effective for annual periods beginning on or after 1 January 2021.*

The management of the Company is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that except for HKFRSs 9, 15 and 16 which are explained below, the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION *(CONTINUED)*

HKFRS 9 "Financial Instruments"

HKFRS 9, which will supersede HKAS 39 in its entirety, introduces new requirements on the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets.

The most significant change to be brought by HKFRS 9 to the Group is the requirements on impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 may result in earlier recognition of credit losses which are not yet incurred in respect of the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. 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, by applying the following five steps:

a) Identify the contract(s) with a customer;

b) Identify the performance obligations in the contract(s);

c) Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;

d) Allocate the transaction price to the performance obligations in the contract(s); and

e) Recognise revenue when (or as) the entity satisfies a performance obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION *(CONTINUED)*

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

HKFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The adoption of this standard is not expected to have a significant impact on the measurement and recognition of revenue of the Group, but it may result in more disclosures.

HKFRS 16 "Leases"

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The application of HKFRS 16 will result in recognition of right-of-use assets and lease liabilities for certain leases of the Group that are currently classified as operating leases under HKAS 17. Subsequently, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively. The total amount charged to profit or loss for each reporting period is not expected to be significantly different from the operating lease expense recognised under HKAS 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up for the year ended 31 March 2018.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2.8), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in thousands of units of Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. The gain or loss on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 FOREIGN CURRENCY TRANSLATION *(CONTINUED)*

(c) Group companies

The results and financial position of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised directly in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences that were recognised in other comprehensive income are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses except for buildings which are stated at revalued carrying amount. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are included in the profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are recognised in other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are included in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Depreciation of property, plant and equipment is calculated to write off their cost over their expected useful lives as follows:

	Depreciation rates	**Method**
– Buildings	over the lease terms	straight-line
– Leasehold improvements	10-15% or over the lease terms, whichever is shorter	straight-line
– Furniture and fixtures	10-20%	reducing balance
– Machinery, equipment and tools	10-18%	reducing balance
– Motor vehicles	10-18%	reducing balance
– Office and computer equipment	10-33%	reducing balance

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the revaluation surplus included in reserves is transferred to retained earnings/accumulated losses.

2.6 LEASEHOLD LAND

Lease premium for land are up-front payment to acquire long-term interest in lease-occupied properties. The premium is stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various buildings are situated. Amortisation of lease premium for land is calculated on a straight-line basis over the period of the lease.

2.7 INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 INVESTMENT PROPERTIES *(CONTINUED)*

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. These valuations are performed by external valuers at least annually. Fair value is based on market prices, as adjusted (if necessary) for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are included in the consolidated statement of profit or loss and other comprehensives income during the period in which they are incurred.

Changes in fair values are included in the consolidated statement of profit or loss and other comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment and/or leasehold land becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is accounted for in accordance with applicable HKFRSs.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 INVENTORIES

Inventories represent assets held for sale in the ordinary course of business of the Group are stated at the lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to present location and condition is determined by using weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the trade and other receivables is reduced through the use of an allowance account, and the amount of the loss is included in profit or loss. When a trade/other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are included in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2.12 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is included in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of reporting period.

2.13 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 INCOME TAX *(CONTINUED)*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous year.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 EMPLOYEE BENEFITS

(a) Pension obligation

(i) Hong Kong

The Group continues to operate an occupational retirement scheme (a defined contribution plan) which has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the scheme, both the employers and employees are required to contribute an amount equal to 5% of the basic salary of the employees on a monthly basis. The Group's contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contribution.

Besides, the Group operates a mandatory provident fund scheme (the "MPF Scheme"; a defined contribution plan) under which the Group and its employees are required to contribute 5% (subject to an aggregate maximum of HK$1,500 per month) of the employees' relevant income. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 EMPLOYEE BENEFITS *(CONTINUED)*

(a) Pension obligation (Continued)

(ii) The People's Republic of China ("**PRC**")

The Group contributes to retirement plans for its employees in the PRC at a percentage of their salaries in compliance with the requirements of the respective municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC.

Contributions for the above schemes are recognised as employee benefit expenses when they are due.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Share-based compensation

The Group operates a share option scheme, being an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options under the share option scheme is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumption about the number of share options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating the sales within the Group.

The Group recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sales have been resolved.

(a) Sale of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(d) Other income

Other income not stated above is recognised whenever it is received or receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 LEASES

(a) Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding liabilities, net of finance charges, are included in current and non-current borrowings, as appropriate. The interest element of the finance cost is recognised in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required and the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 EQUITY INSTRUMENTS

Equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.22 RELATED PARTIES

A related party is a person or entity that is related to the Group in these consolidated financial statements, as follows:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third entity.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks including foreign exchange risk, liquidity risk, cash flow and fair value interest rate risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(A) FOREIGN EXCHANGE RISK

Foreign exchange risk arises from recognized assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate, primarily with respect to the United States Dollars ("**US$**"), Renminbi ("**RMB**") and Hong Kong Dollars ("**HK$**"). Any changes in the exchange rates of HK$ to US$ and RMB will impact the Group's operating results.

As HK$ is pegged to US$, foreign exchange exposure on US$ denominated transactions, assets or liabilities is considered as minimal. The volume of RMB denominated transactions and recognized assets and liabilities is not significant, therefore, the foreign exchange risk is still considered as minimal. The Group currently does not undertake any foreign currency hedging.

(B) LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank and other borrowings and banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of change in cash flow needs.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(B) LIQUIDITY RISK *(CONTINUED)*

	2018					
	Contractual undiscounted cash outflow					
	Wthin 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**	**Carrying amount at 31 March HK$'000**
Bank borrowings	**8,218**	**–**	**–**	**–**	**8,218**	**8,218**
Obligations under finance lease	**152**	**152**	**77**	**–**	**381**	**365**
Trade payables	**4,674**	**–**	**–**	**–**	**4,674**	**4,674**
Other payables and accrued charges	**4,529**	**–**	**–**	**–**	**4,529**	**4,529**
Amounts due to a shareholder	**70,920**	**61,384**	**–**	**–**	**132,304**	**125,087**
	88,493	**61,536**	**77**	**–**	**150,106**	**142,873**

	2017					
	Contractual undiscounted cash outflow					
	Wthin 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Bank borrowings	28,428	–	–	–	28,428	27,281
Obligations under finance lease	265	152	229	–	646	614
Trade payables	200	–	–	–	200	200
Other payables and accrued charges	2,195	–	–	–	2,195	2,195
Amounts due to a shareholder	–	70,920	–	–	70,920	66,047
	31,088	71,072	229	–	102,389	96,337

The directors have given careful consideration on the measures currently undertaken by the Group in respect of the Group's liquidity position. As detailed in note 2, the directors believe that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(C) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalents, bank borrowings and amounts due to a shareholder. Cash and cash equivalents and bank borrowings that are subject to floating rates expose the Group to cash flow interest rate risk while amounts due to a shareholder that are subject to fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its exposure to interest rate risk. The Group regularly seeks out the most favorable interest rates available for its bank borrowings.

The following table indicates the approximate change in the profit/loss after tax in response to reasonably possible changes in interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on profit/loss after tax in the next accounting year, the management of the Group assumed that the change in interest rate had occurred at the end of the reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2018 and 2017.

	2018 Effect on profit after tax HK$'000	2017 Effect on loss after tax HK$'000
Increase by 100 basis point	**+122**	+160
Decrease by 100 basis point	**-122**	-160

(D) CREDIT RISK

The Group is exposed to concentrations of credit risk. At 31 March 2018, the Group had a concentration of credit risk as 100% of the Group's trade receivables were due from a major customer. The carrying amounts of the trade receivables and deposits and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk. To minimize the risk, the Group regularly reviews the credit terms and credit limits granted to individual customers. There are policies in place to ensure that sales are made to customers with satisfactory credit record.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(E) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

Except for the amounts due to a shareholder, the carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2018 and 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) DEFERRED TAXATION ON INVESTMENT PROPERTIES

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable and are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is rebutted.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(B) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions occurred since the date of the relevant transactions; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and, where possible, from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

5. 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 and other income is as follows:

	2018 HK$'000	2017 HK$'000
Turnover		
Sales of goods	**13,432**	109,018
Rental income	**5,701**	3,429
	19,133	112,447
Other income		
Interest income	**345**	16
Income from sample sales	**—**	36
Sundry income	**2,368**	859
	2,713	911

The Group operates mainly in Hong Kong and the PRC and in the following business segments:

Export business — 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 cost 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 and mainly exclude deferred tax assets, pledged bank deposit and cash and cash equivalents. They excluded assets used for corporate functions.

Segment liabilities consist primarily of trade payables, other payables and accrued charges, bank borrowings and obligations under finance leases. They excluded liabilities which are used for corporate functions including shareholder's loans and deferred tax liabilities.

5. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS

	2018		
	Export business HK$'000	Property investment HK$'000	Total HK$'000
Turnover	13,432	5,701	19,133
Segment operating (loss)/profit	(4,753)	58,713	53,960
Unallocated corporate income			2,433
Unallocated corporate expenses			(39,543)
Operating profit			16,850
Finance costs			(5,893)
Profit before taxation			10,957
Income tax expense			(41)
Profit for the year			10,916
Segment assets	15,047	156,255	171,302
Unallocated assets			29,421
Total assets			200,723
Segment liabilities	5,300	9,745	15,045
Unallocated liabilities			131,675
Total liabilities			146,720

	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

5. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS *(CONTINUED)*

	2017		
	Export business HK$'000	Property investment HK$'000	Total HK$'000
Turnover	109,018	3,429	112,447
Segment operating profit	8,336	2,834	11,170
Unallocated corporate expenses			(18,695)
Operating loss			(7,525)
Finance costs			(3,169)
Loss before taxation			(10,694)
Income tax expense			(2,055)
Loss for the year			(12,749)
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

	Export business HK$'000	Property investment HK$'000	Corporate HK$'000	Total HK$'000
Capital expenditure	8	141	1,546	1,695
Depreciation of property, plant and equipment	586	163	287	1,036
Amortisation of leasehold land	—	492	—	492

5. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	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**	**–**
	19,133	**161,144**

	2017	
	Turnover HK$'000	Specified non-current assets HK$'000
Hong Kong	1,188	61,937
PRC	2,241	45,360
United States of America	109,018	–
	112,447	107,297

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

INFORMATION ABOUT MAJOR CUSTOMER

Revenue from customer in the corresponding years contributing over 10% of the total sales of the Group from the export business is as follows:

	2018 HK$'000	2017 HK$'000
Customer A	**–**	91,617
Customer B	**13,000**	–

6. FINANCE COSTS

	2018	2017
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**1,115**	2,456
Interest element of finance lease obligations	**16**	29
Interest on loans from a shareholder	**4,762**	684
	5,893	3,169

7. PROFIT/(LOSS) BEFORE TAXATION

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

	2018	2017
	HK$'000	HK$'000
Cost of inventories sold	**12,706**	82,542
Amortisation of leasehold land	**–**	492
Auditor's remuneration	**510**	480
Deposits and other receivables written off *(Note)*	**1,547**	–
Depreciation	**922**	1,036
Gain upon reclassification from leasehold land to investment properties	**(47,227)**	–
Changes in fair value of investment properties	**(6,647)**	(951)
Legal and professional fees	**7,193**	2,451
Plant and equipment written off	**1,380**	–
Net exchange (gain)/loss	**(132)**	196
Operating lease rentals in respect of land and buildings	**3,924**	1,749
Realised loss on foreign currency forward contracts	**–**	1,071
Rental receivables from investment properties less direct outgoings	**(5,535)**	(3,141)
Staff costs, including directors' emoluments	**20,956**	17,300

Note: These mainly represent trade deposits written off of approximately HK$1,440,000 upon the liquidation of a supplier.

8. STAFF COSTS

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits (including directors' emoluments)	**20,223**	16,826
Retirement benefit costs	**733**	474
	20,956	17,300

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 March 2018 is set out below:

	Fee HK$'000	Salaries HK$'000	Other benefits *(Note)* HK$'000	Contributions to defined contribution scheme HK$'000	Total HK$'000
Executive directors:					
Ren Qingxin[1]	–	–	–	–	–
Lei Donghui[2]	1,136	–	–	–	1,136
Zhou Xinyu	–	2,779	523	44	3,346
Niu Fang	–	–	–	–	–
Independent non-executive directors:					
Ni Lijun	120	–	–	–	120
Shen Guoquan	120	–	–	–	120
Meng Rongfang	120	–	–	–	120
Total	1,496	2,779	523	44	4,842

1 Resigned on 5 September 2017

2 Appointed on 5 September 2017 and resigned on 1 February 2018

Note: This represents rental reimbursements, including domestic services and electricity charges for director's quarter.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(CONTINUED)*

(A) DIRECTORS' EMOLUMENTS *(CONTINUED)*

The remuneration of each director of the Company for the year ended 31 March 2017 is set out below:

	Fee	Salaries	Other benefits *(Note)*	Contributions to defined contribution scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Ren Qingxin[1]	—	—	—	—	—
Zhou Xinyu[1]	968	—	—	—	968
Niu Fang[1]	—	—	—	—	—
Wong Tek Sun, Takson[2]	—	2,394	539	14	2,947
Pang Shu Yuk, Adeline Rita[2]	—	3,743	539	14	4,296
Non-executive directors:					
Wong Tak Yuen[2]	—	155	—	—	155
Pang She Kwok, Szwina[2]	—	77	—	—	77
Independent non-executive directors:					
Ni Lijun[1]	40	—	—	—	40
Shen Guoquan[1]	40	—	—	—	40
Meng Rongfang[1]	40	—	—	—	40
Cunningham, James Patrick[2]	—	77	—	—	77
Motwani, Manoj Kumar[2]	—	77	—	—	77
Wong Kwok Tai[2]	—	77	—	—	77
Total	1,088	6,600	1,078	28	8,794

1 Appointed on 22 November 2016

2 Resigned on 22 November 2016

Note: This mainly represents quarter's expenses.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(CONTINUED)*

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2017: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2017: two) individuals during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**5,012**	1,410
Pensions	**89**	15
	5,101	1,425

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Below HK$1,000,000	**–**	2
HK$1,000,000 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–

10. INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Current tax - Hong Kong	**–**	–
Current tax - overseas	**–**	–
Deferred tax		
Tax losses (recognized)/utilized	**(817)**	1,961
Origination and reversal of temporary differences	**858**	94
	41	2,055

No provision for Hong Kong profits tax has been made on the estimated assessable profits 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 year (2017: Nil).

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

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.

10. INCOME TAX *(CONTINUED)*

(b) At the end of the reporting period, the Group has unused tax losses of approximately HK$188,568,000 (2017: approximately HK$162,255,000) available for offset against future profits that may be carried forward indefinitely.

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

	2018 **HK$'000**	2017 HK$'000
Profit/(loss) before taxation	**10,957**	(10,694)
Tax at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	**1,808**	(1,765)
Effect of different tax rate in other countries	**(668)**	4
Tax effect of non-taxable revenue	**(7,351)**	(743)
Tax effect of non-deductible expenses	**2,253**	448
Tax effect of unused tax losses not recognised	**4,383**	4,145
Tax effect of prior year’ s unrecognised tax losses utilised in this year	**(341)**	(277)
Tax effect of origination and reversal of temporary differences	**(43)**	243
Income tax	**41**	2,055

11. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income is as follows:

	2018			2017		
	Before tax amount HK$'000	**Tax expense HK$'000**	**Net of tax amount HK$'000**	Before tax amount HK$'000	Tax expense HK$'000	Net of tax amount HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	**2,019**	**–**	**2,019**	–	–	–
Surplus on revaluation of buildings held for own use	**–**	**–**	**–**	470	(78)	392
Other comprehensive income	**2,019**	**–**	**2,019**	470	(78)	392

13. EARNINGS/(LOSS) PER SHARE

	2018	2017
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**13,339**	(12,749)
Weighted average number of ordinary shares in issue for the purpose of basic earnings/(loss) per share *(thousands)*	**775,406**	775,406
Basic earnings/(loss) per share *(HK cents)*	**1.72**	(1.64)
Diluted earnings/(loss) per share *(HK cents)*	**1.72**	(1.64)

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

14. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated statement of profit or loss and other comprehensive income represent gross contributions payable by the Group to the retirement scheme of approximately HK$733,000 (2017: approximately HK$474,000). At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery, equipment and tools HK$'000	Motor vehicles HK$'000	Office and computer equipment HK$'000	Total HK$'000
As 31 March 2016							
Cost or valuation	9,158	2,007	1,303	600	4,562	5,476	23,106
Accumulated depreciation	(1,880)	(1,337)	(1,080)	(377)	(1,960)	(5,020)	(11,654)
Net book amount	7,278	670	223	223	2,602	456	11,452
Year ended 31 March 2017							
Opening net book amount	7,278	670	223	223	2,602	456	11,452
Surplus on revaluation	470	–	–	–	–	–	470
Additions	–	683	406	–	–	606	1,695
Depreciation	(231)	(174)	(46)	(34)	(390)	(161)	(1,036)
Closing net book amount	7,517	1,179	583	189	2,212	901	12,581
As 31 March 2017							
Cost or valuation	9,540	2,690	1,709	600	4,562	6,082	25,183
Accumulated depreciation	(2,023)	(1,511)	(1,126)	(411)	(2,350)	(5,181)	(12,602)
Net book amount	7,517	1,179	583	189	2,212	901	12,581
Year ended 31 March 2018							
Opening net book amount	**7,517**	**1,179**	**583**	**189**	**2,212**	**901**	**12,581**
Exchange adjustment	**–**	**(6)**	**(2)**	**–**	**(5)**	**(2)**	**(15)**
Transfer to investment properties	**(7,517)**	**–**	**–**	**–**	**–**	**–**	**(7,517)**
Additions	**–**	**880**	**330**	**–**	**825**	**255**	**2,290**
Disposals	**–**	**(2,149)**	**(1,323)**	**(600)**	**–**	**(5,484)**	**(9,556)**
Depreciation	**–**	**(187)**	**(94)**	**–**	**(424)**	**(217)**	**(922)**
Depreciation written back	**–**	**1,497**	**1,116**	**411**	**–**	**5,152**	**8,176**
Closing net book amount	**–**	**1,214**	**610**	**–**	**2,608**	**605**	**5,037**
As 31 March 2018							
Cost or valuation	**–**	**1,421**	**716**	**–**	**5,387**	**853**	**8,377**
Accumulated depreciation	**–**	**(207)**	**(106)**	**–**	**(2,779)**	**(248)**	**(3,340)**
Net book amount	**–**	**1,214**	**610**	**–**	**2,608**	**605**	**5,037**

(a) At 31 March 2017, buildings were pledged to secure certain banking facilities (Note 27) granted to the Group.

(b) At 31 March 2018, the net book value of motor vehicles includes assets held by the Group under finance leases amounted to approximately HK$499,000 (2017: approximately HK$1,676,000).

15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(c) The Group' s buildings were last revalued on 31 March 2017 by an independent valuer. Valuations were carried out by RHL Appraisal Limited, an independent firm of The Hong Kong Institute of Surveyors. If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2018 **HK$'000**	2017 HK$'000
Cost	**–**	6,972
Accumulated depreciation	**–**	(2,771)
Net book amount	**–**	4,201

16. LEASEHOLD LAND

The Group' s interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	2018 **HK$'000**	2017 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years		
At the beginning of the year	**14,975**	15,467
Transfer to investment properties	**(14,975)**	–
Amortisation	**–**	(492)
At the end of the year	**–**	14,975

At 31 March 2017, leasehold land were pledged to secure certain banking facilities (Note 27) granted to the Group.

During the year, 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 1 April 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 at the date of reclassification as of 1 April 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 at 1 April 2017 and a gain upon reclassification from leasehold land to investment properties of approximately HK$47,227,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018.

17. INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
At the beginning of the year	**79,741**	78,790
Transfer from buildings and leasehold land	**22,492**	—
Gain upon reclassification from leasehold land	**47,227**	—
Changes in fair value included in profit or loss	**6,647**	951
At the end of the year	**156,107**	79,741

(A) Investment properties were revalued at 31 March 2018 on the basis of their open market value by Access Partner Consultancy & Appraisals Limited, an independent firm of The Hong Kong Institute of Surveyors (2017: RHL Appraisal Limited and Savills Property Services (Shanghai) Company Limited). Revaluation gain recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018 amounted to approximately HK$6,647,000 (2017: approximately HK$951,000).

(B) Certain investment properties were pledged to secure certain banking facilities (Note 27) granted to the Group.

(C) FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

The following table presents the fair value of the Group' s properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

17. INVESTMENT PROPERTIES *(CONTINUED)*

(C) FAIR VALUE MEASUREMENT OF PROPERTIES *(CONTINUED)*

(i) Fair value hierarchy (Continued)

		Fair value measurements as at 31 March 2018 categorised into		
	Fair value at 31 March 2018 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	45,107	–	45,107	–
– Commercial – Hong Kong	111,000	–	74,000	37,000
	156,107	–	119,107	37,000
Properties held for own use:				
– Buildings – Hong Kong *(Note 15)*	–	–	–	–

17. INVESTMENT PROPERTIES *(CONTINUED)*

(C) FAIR VALUE MEASUREMENT OF PROPERTIES *(CONTINUED)*

(i) Fair value hierarchy (Continued)

	Fair value at 31 March 2017 HK$'000	Fair value measurements as at 31 March 2017 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	45,360	–	45,360	–
– Commercial – Hong Kong	34,381	–	34,381	–
	79,741	–	79,741	–
Properties held for own use:				
– Buildings – Hong Kong *(Note 15)*	7,517	–	7,517	–

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

At 31 March 2018, the fair value of certain investment properties located in Hong Kong and the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

At 31 March 2017, the fair value of all investment properties and properties held for own use located in Hong Kong and the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

17. INVESTMENT PROPERTIES *(CONTINUED)*

(C) FAIR VALUE MEASUREMENT OF PROPERTIES *(CONTINUED)*

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input
Investment properties: – Commercial – Hong Kong	Market comparison approach	5% premium on quality of the building

At 31 March 2018, the fair value of an investment property located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The movements during the period in the balance of these level 3 fair value measurements are as follows:

	2018 **HK$'000**	2017 HK$'000
Investment properties:		
– Commercial –		
Hong Kong		
At 1 April	**–**	–
Transfer from Level 2 fair value measurements	**37,000**	–
At 31 March	**37,000**	–

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the year ended 31 March 2018, the Group transferred a property from Level 2 into Level 3 as fair value measured using significant unobservable inputs.

Fair value adjustment of investment properties is recognised in the line item "changes in fair value of investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

17. INVESTMENT PROPERTIES *(CONTINUED)*

(D) THE ANALYSIS OF NET BOOK VALUE OF PROPERTIES IS AS FOLLOWS:

	2018 HK$'000	2017 HK$'000
In Hong Kong		
—medium-term leases	**111,000**	56,873
Outside Hong Kong		
—medium-term leases	**45,107**	45,360
	156,107	102,233
Representing:		
Buildings and investment properties carried at fair value	**156,107**	87,258
Interest in leasehold land held for own use under operating leases	**–**	14,975
	156,107	102,233

18. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**–**	11
Finished goods	**6,946**	–
	6,946	11

19. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**6,312**	887
Trade deposits and other receivables	**692**	1,805
Prepayments	**151**	2,013
Rental, utility and sundry deposits	**2,648**	2,855
	3,491	6,673
Total	**9,803**	7,560

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$2,033,000 (2017: approximately HK$1,980,000). 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 doubtful debts, is as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**6,312**	273
1 to 3 months	**—**	614
	6,312	887

The trade receivables were denominated in US Dollars and HK Dollars.

The majority of the Group' s export sales are generally on open account of 90 days from the date of bill of lading (2017: 30 days and letter of credit at sight). The Group considers that the trade receivables at 31 March 2018 are fully recoverable and believes that no impairment allowance is necessary.

19. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(B) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

At the end of the reporting period, trade receivables of approximately HK$106,000 (2017: approximately HK$614,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
Less than 1 month past due	**106**	614

These receivables are not impaired and are related to independent customers for whom there is no recent history of default.

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**22,280**	8,328
Pledged bank deposit	**550**	4,510
	22,830	12,838

Cash and cash equivalents and pledged bank deposit are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
United States Dollars	**861**	2,180
Renminbi *(i)*	**20,288**	1,037
Hong Kong Dollars	**1,679**	9,619
Euros and others	**2**	2
	22,830	12,838
Less: Pledged bank deposit *(ii)*	**(550)**	(4,510)
Total cash and cash equivalents	**22,280**	8,328

(i) The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC.

(ii) At 31 March 2018, the pledged bank deposit mainly refers to a deposit placed at designated bank account as guarantee deposit to secure the banking facilities granted to the Group (Note 27).

21. TRADE PAYABLES

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

	2018 HK$'000	2017 HK$'000
Within 1 month	**4,674**	200

All trade payables were all denominated in US Dollars.

Trade payables are normally settled on terms of 30 to 60 days from the date of bill of lading.

22. OTHER PAYABLES AND ACCRUED CHARGES

	2018 HK$'000	2017 HK$'000
Rental deposits received	**1,307**	864
Accrued expenses	**3,068**	1,229
Other payables	**154**	102
	4,529	2,195

The amount of rental deposits received expected to be repayable after more than one year is approximately HK$978,000 (2017: approximately HK$567,000). All of the other payables are expected to be settled or recognised approximately income within one year.

23. SHARE CAPITAL

(A) AUTHORISED AND ISSUED CAPITAL

	Number of shares	Ordinary shares HK$'000
Authorised:		
At 31 March 2018 and 2017		
Ordinary shares of HK$0.1 each	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2018 and 2017	775,406,000	77,540

23. SHARE CAPITAL *(CONTINUED)*

(A) AUTHORISED AND ISSUED CAPITAL *(CONTINUED)*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company' s residual assets.

(B) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company comprising share capital and reserves.

The Board of the Company reviews the capital structure periodically. As part of the review, the Board assesses the annual budget prepared by the finance department taking into account the provision of funding.

(C) 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 were granted nor exercised during each of the two years ended 31 March 2018 and 31 March 2017. No share options were outstanding as at 31 March 2018 and 31 March 2017.

24. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

(a) At 31 March 2018, the Group' s bank borrowings and obligations under finance leases are repayable as follows:

	2018 HK$'000	2017 HK$'000
Obligations under finance leases (Note d)	**365**	614
Bank borrowings - secured	**8,218**	27,281
	8,583	27,895
Obligations under finance leases repayable:		
Within one year	**142**	249
In the second year	**147**	142
In the third to fifth years, inclusive	**76**	223
	365	614
Secured bank borrowings repayable within one year or on demand	**8,218**	27,281
	8,583	27,895
Amount repayable within one year included under current liabilities	**(8,360)**	(27,530)
Amount repayable after one year	**223**	365

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

	2018 HK$'000	2017 HK$'000
Hong Kong Dollars	**365**	16,432
United States Dollars	**8,218**	11,463
	8,583	27,895

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

	2018	2017
Hong Kong Dollars	**–**	3.7%
United States Dollars	**7.9%**	4.6%

24. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES *(CONTINUED)*

(d) OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2018, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	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**	249	265
In the second year	**147**	**152**	142	152
In the third to fifth years, inclusive	**76**	**77**	223	229
	223	**229**	365	381
	365	**381**	614	646
Less: total future interest expenses		**(16)**		(32)
Present value of lease obligations		**365**		614

25. AMOUNTS DUE TO A SHAREHOLDER

	2018 HK$'000	2017 HK$'000
Loans from a shareholder	**122,926**	65,363
Fair value adjustment at initial recognition	**(3,285)**	—
Accrued interests	**5,446**	684
	125,087	66,047
Amount repayable within one year included under current liabilities	**(68,818)**	—
Amount repayable after one year	**56,269**	66,047

The shareholder mentioned above is the immediate parent of the Company. Except for the amount of loans from a shareholder of HK$12.6 million is unsecured, interest-free and has a term of 36 months from the date of drawdown, the remaining balances are unsecured with fixed annual interest rate at 4.25% and have a term of 24 months from the date of drawdown on each loan. The effective interest rates are ranged from 3.96% to 5.75%. At 31 March 2018, the fair value of loans from a shareholder was amounted to approximately HK$124,198,000 (2017: approximately HK$66,047,000).

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2017: 16.5%) for the subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operating in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The movements on the deferred tax liabilities/(assets) are as follows:

	Depreciation allowance in excess of the related depreciation HK$'000	Revaluation of properties HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2016	(540)	4,780	(2,567)	1,673
Charge to reserve	—	78	—	78
Charge to profit or loss	94	—	1,961	2,055
At 31 March 2017 and 1 April 2017	(446)	4,858	(606)	3,806
Charge/(credit) to profit or loss	392	466	(817)	41
At 31 March 2018	(54)	5,324	(1,423)	3,847

	2018 HK$'000	2017 HK$'000
Deferred tax assets recognised	**–**	(1,052)
Deferred tax liabilities recognised	**3,847**	4,858

27. BANKING FACILITIES

At 31 March 2018, the Group's banking facilities amounted to approximately HK$8,218,000 (2017: approximately HK$144,077,000) were secured by the following:

(a) first legal charge over the Group's investment properties in the PRC with an aggregate carrying value of approximately HK$28,519,000 (2017: investment properties in Hong Kong and the PRC and leasehold land and buildings of approximately HK$102,233,000) and a deposit of approximately HK$550,000 (2017: approximately HK$4,510,000); 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 2018 amounted to approximately HK$8,218,000 (2017: approximately HK$27,281,000).

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATIONS

	2018 **HK$'000**	2017 HK$'000
Profit/(loss) before taxation	**10,957**	(10,694)
Amortisation of leasehold land	**—**	492
Depreciation	**922**	1,036
Plant and equipment written off	**1,380**	—
Inventories written off	**11**	—
Realized loss on foreign currency forward contracts	**—**	1,071
Deposits and other receivables written off	**1,547**	—
Gain upon reclassification from leasehold land to investment properties	**(47,227)**	—
Changes in fair value of investment properties	**(6,647)**	(951)
Interest income	**(345)**	(16)
Interest on bank borrowings and overdrafts	**1,115**	2,456
Interest element of finance lease obligations	**16**	29
Interest on loans from a shareholder	**4,762**	684
Operating cash flow before movements in working capital	**(33,509)**	(5,893)
(Increase)/decrease in inventories	**(6,946)**	1,249
(Increase)/decrease in trade receivables, deposits, prepayments and other receivables	**(3,790)**	18,300
Increase/(decrease) in trade payables, other payables and accrued charges	**6,808**	(5,082)
Cash (used in)/generated from operations	**(37,437)**	8,574

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Amounts due to a shareholder HK$'000	Obligations under finance leases HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 April 2017	66,047	614	27,281	93,942
Changes from financing cash flow:				
Repayment of bank borrowings	–	–	(19,063)	(19,063)
Net cash advance from a shareholder	57,563	–	–	57,563
Finance leases repayments	–	(249)	–	(249)
Interest paid	–	(16)	(1,115)	(1,131)
Total changes from financing cash flows	57,563	(265)	(20,178)	37,120
Changes in fair value	(3,285)	–	–	(3,285)
Other changes				
Interest expenses	4,762	16	1,115	5,893
At 31 March 2018	125,087	365	8,218	133,670

(C) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents *(Note 20)*	**22,280**	8,328

29. COMMITMENTS

(A) CAPITAL COMMITMENTS

At 31 March 2018, the Group had the following material capital commitments:

	2018 **HK$'000**	2017 HK$'000
Contracted but not provided for:		
Capital contributions	**64,370**	–

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.

(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 (2017: half to three years).

(i) At 31 March 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**4,198**	3,566
In the second to fifth years, inclusive	**3,324**	5,639
	7,522	9,205

29. COMMITMENTS *(CONTINUED)*

(B) COMMITMENTS UNDER OPERATING LEASES *(CONTINUED)*

The Group as lessor:

The Group leases its investment properties (Note 17) under operating lease arrangement, with leases negotiated for terms of two years (2017: two to four years).

(ii) At 31 March 2018, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**6,386**	3,124
In the second to fifth years, inclusive	**1,856**	1,500
	8,242	4,624

30. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,328**	1,471
Investment in subsidiaries	**79**	1
	1,407	1,472
Current assets		
Deposits, prepayments and other receivables	**2,672**	2,795
Amounts due from subsidiaries	**100,232**	83,989
Cash and cash equivalents	**756**	2,943
	103,660	89,727
Total assets	**105,067**	91,199
Capital and reserves attributable to the Company's equity holders		
Share capital	**77,540**	77,540
Reserves *(Note)*	**(110,881)**	(82,296)
Total deficits	**(33,341)**	(4,756)
LIABILITIES		
Non-current liability		
Amounts due to a shareholder	**56,269**	66,047
Current liabilities		
Other payables and accrued charges	**1,530**	846
Amounts due to subsidiaries	**11,791**	29,062
Amounts due to a shareholder	**68,818**	—
	82,139	29,908
Total liabilities	**138,408**	95,955
Total equity and liabilities	**105,067**	91,199
Net current assets	**21,521**	59,819
Total assets less current liabilities	**22,928**	61,291

30. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

Note: The Company' s reserves movement is as follows:

	Share Premium	Contributed Surplus Reserve	Capital Reserve	Accumulated Losses	Total
		(Note a)	*(Note b)*	*(Note c)*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2016	66,894	67,992	—	(201,671)	(66,785)
Total comprehensive loss for the year	—	—	—	(15,511)	(15,511)
Balance at 31 March 2017	66,894	67,992	—	(217,182)	(82,296)
Balance at 1 April 2017	**66,894**	**67,992**	**—**	**(217,182)**	**(82,296)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(31,870)**	**(31,870)**
Equity contribution from a shareholder	**—**	**—**	**3,285**	**—**	**3,285**
Balance at 31 March 2018	**66,894**	**67,992**	**3,285**	**(249,052)**	**(110,881)**

a. Contributed surplus reserve

It represents the excess of the consolidated net assets value of Takson (B.V.I.) Limited upon its merger with the Company over the nominal value of the Company' s shares issued in the exchange thereof. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to the equity holders, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company' s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

b. Capital reserve

It represents the differences between the loans nominal amount of HK$57,563,000 and the fair value of HK$54,278,000 of loans granted by a shareholder. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and present value of HK$3,285,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

c. Accumulated losses

At 31 March 2018, the Company had no reserves available for distribution to shareholders (2017: Nil).

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company
Interest held directly				
Takson (B.V.I.) Limited	BVI	Investment holding	US$1,000	100%
State Energy Capital Limited	Hong Kong	Investment holding	HK$1	100%
Interest held indirectly				
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of garments, property investment in the PRC (2017: Sourcing and sales of outerwear garments, property investment in the PRC and provision of management and accounting services to fellow subsidiaries)	HK$200,000	100%
Takson Sportswear Limited	BVI	Property investment in Hong Kong	US$50,000 (Paid up US$1)	100%
Takson Sourcing Limited	Hong Kong	Sourcing, subcontracting and selling of garments	HK$500,000	100%
第一德勝(北京)管理咨詢有限公司	PRC	Provision of consultancy service	RMB10,000,000 (Paid up RMB2,644,505)	100%
Jiangsu Youyi International Logistics Co., Ltd. (“**Jiangsu Youyi**”)	PRC	Property investment and related business	RMB100,000,000 (Paid up RMB20,000,000)	55%

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The following table lists out the summarised financial information of a subsidiary, Jiangsu Youyi, in which the Group has material non-controlling interests. The amounts disclosed are before any inter-company elimination.

	2018 HK$'000	2017 HK$'000
Non-controlling interests percentage	**45%**	–
Current assets	**18,666**	–
Non-current assets	**1,828**	–
Current liabilities	**(1,180)**	–
Net assets	**19,314**	–
Carrying amount of non-controlling interests	**8,691**	–
Revenue	**–**	–
Loss for the year	**(5,361)**	–
Total comprehensive loss for the year	**(3,399)**	–
Loss allocated to non-controlling interests	**(2,412)**	–
Cash flows from operating activities	**(4,903)**	–
Cash flows from investing activities	**(1,769)**	–
Cash flows from financing activities	**22,712**	–

32. RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 9, is as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**9,810**	8,766
Post-employment benefits	**133**	28
	9,943	8,794

32. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(B) FINANCING ARRANGEMENTS

	2018 **HK$'000**	2017 HK$'000
Amounts due to a shareholder		
Loans from a shareholder	**122,926**	65,363
Fair value adjustment at initial recognition	**(3,285)**	—
Accrued interest	**5,446**	684
	125,087	66,047

Except for the loans from a shareholder of HK$12.6 million is unsecured, interest-free and has a term of 36 months from the date of drawdown, the remaining balances are unsecured with fixed annual interest rate at 4.25% and have a term of 24 months from the date of drawdown on each loan with effective interest rates ranged from 3.96% to 5.75%.

During the year, the Group had loans from a shareholder with nominal amount of HK$57,563,000. At origination, the Group calculated its present value using the current market rate for similar investments, the difference between the loans nominal amount and the present value of HK$3,285,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

Details of new loans and loans repaid during the year are disclosed in the consolidated statement of cash flow.

33. EVENTS AFTER THE REPORTING PERIOD

On 27 June 2018, Takson (B.V.I.) Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with Mr. Lee Sip Hop, Andrew and Mr. Lee Alexander Chun Lum (collectively, the "**Sellers**"), pursuant to which the Group has conditionally agreed to purchase and the Sellers have conditionally agreed to sell, a total of 60% equity interest in Super X International Limited (the "**Target Company**"), a company incorporated in Hong Kong with limited liability, for a total consideration not more than HK$10,800,000 (the "**Consideration**") (the "**Acquisition**"). The Consideration will be settled by the Group in full in cash.

The Target Company is principally engaged in sourcing, subcontracting, selling and distribution of outwear garments and sportswear products, especially licensed products under the brand of "Super-X Sportswear".

Completion of the Acquisition is conditional upon fulfilment of all the conditions precedent under the Agreement. Upon completion, the Target Company will become a non-wholly-owned-subsidiary of the Group and the results, assets and liabilities of the Target Company will be consolidated into the financial statements of the Group. Details of the above are set out in the announcement of the Company dated 28 June 2018.

34. IMMEDIATE, INTERMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2018, the directors consider the immediate parent of the Company to be State Energy HK Limited which is incorporated in Hong Kong, the intermediate parent of the Company to be National Business Holdings Group Co., Limited*（國能商業集團有限公司）which is incorporated in the PRC and the ultimate controlling party of the Company to be Shanghai Guoming Equity Investment Fund Management Co., Limited*（上海國明股權投資基金管理有限公司）which is incorporated in the PRC and did not produce financial statements available for public use.

* For identification purposes only

35. COMPARATIVES FIGURES

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

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Turnover	**19,133**	112,447	158,354	255,135	183,726
Profit/(loss) attributable to equity holders	**13,339**	(12,749)	(25,593)	510	1,248
Assets and Liabilities					
Total assets	**200,723**	128,758	148,454	168,064	155,045
Total liabilities	**(146,720)**	(101,195)	(108,534)	(102,852)	(92,229)
Net assets	**54,003**	27,563	39,920	65,212	62,816

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31 March 2018 are as follows:

Location	Gross floor area *(sq. ft.)*	Type	Tenure
Workshop Units Nos. 11,12 and 13 On 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	20,517	Commercial	Medium Lease
Car Parking Spaces Nos. P19 and P20 On Basement Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
Car Parking Space No. L14 On Ground Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
中華人民共和國 上海市 延安西路726號 華敏翰尊國際大廈東樓 23層E室，F室，G室，H室， I室及L室	11,116	Commercial	Medium Lease