



**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

2018

Interim Report

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MANAGEMENT COMMENTARY

The board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) presents the interim report and the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2018, together with the comparatives.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

EXPORT BUSINESS

The Group conducted the business of sourcing, marketing and selling of garments in the People's Republic of China (the "PRC") which were then exported to overseas markets (the "Export Business"). The Export Business faced several challenges in the past few years. In the past few years, with the rising production cost and declining competitiveness of garment manufacturers in the PRC, the Group faced challenges as its Export Business depends on garment manufacturing ability in the PRC. In view of the downturn of the garment industry in the North America market, it is unrealistic and commercially insensible if the Group is to continue carry on its Export Business primarily in the deteriorating North America market. As a result, the Group has been actively identifying new sales channels and product profiles, with the goal to strategically reposition itself to enhance its competitiveness in other potential markets. The Group has successfully tapped and expanded Export Business into the African markets (the "Africa Export Business") since December 2017. The customer of the Africa Export Business has been engaging in trading business in the African markets for a number of years, and has established distribution channels in Africa covering countries such as Nigeria, Tanzania, Congo and Zambia. During the six months period, revenue from the Africa Export Business amounted to HK\$40.9 million.

The Group also developed and extended the Export Business to Australia (the "Australia Export Business"). The customer in Australia (the "Australia Customer") owns and operates a chain of clothing stores for men and women. The Australia Customer currently has more than 50 stores and outlets across Australia. It is an iconic Australian brand positioned as a modern, contemporary and stylish collection for both men and women in the mid-range market. During the six months period, revenue from the Australia Export Business amounted to HK\$4.4 million.

PROPERTY INVESTMENT

As at 30 September 2018, the Group held six investment properties located in the PRC and six investment properties (including three car parking spaces) in Hong Kong for generating rental income purposes. For the six months ended 30 September 2018, all the investment properties of the Group were fully leased out. As at 30 September 2018, the value of the investment properties of the Company amounted to approximately HK\$152.1 million.

FINANCIAL REVIEW

REVENUE

The Group recorded revenue of approximately HK\$48.3 million for the six months ended 30 September 2018 representing an increase of approximately 14.6 times as compared to that of approximately HK\$3.1 million for the six months ended 30 September 2017.

Revenue derived from the Export Business increased by approximately 103.5 times from approximately HK\$0.4 million for the six months ended 30 September 2017 to approximately HK\$45.3 million for the six months ended 30 September 2018 mainly due to expansion of the Export Business to Africa and Australia.

Revenue derived from property investment increased by approximately 13.9% from approximately HK\$2.7 million for the six months ended 30 September 2017 to approximately HK\$3.0 million for the six months ended 30 September 2018. The increase was mainly due to the increase in monthly rental fee of some properties in the PRC.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$2.7 million in respect of the Export Business for the six months ended 30 September 2018, representing an increase of approximately 22.6 times as compared to approximately HK\$0.1 million for the six months ended 30 September 2017. The increase was in line with the increase in revenue.

The gross profit margin of the Export Business was approximately 6% for the six months ended 30 September 2018 compared to approximately 26.5% for the six months ended 30 September 2017. The decrease was due to the Group's strategy to carry on the African Export Business and Australian Export Business at relatively lower gross profit margin in consideration of its product nature and business model.

The Group recorded a gross profit of approximately HK\$3.0 million in respect of the property investment business for the six months ended 30 September 2018, representing an increase of approximately 13.9% as compared to approximately HK\$2.7 million for the six months ended 30 September 2017. The increase was due to the increase in monthly rental income.

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses decreased by approximately 25.8% from approximately HK\$1.4 million for the six months ended 30 September 2017 to approximately HK\$1.1 million for the six months ended 30 September 2018. The decrease was mainly due to decrease in marketing expenses for the Export Business in respect of North America market.

ADMINISTRATIVE EXPENSES

Administrative expenses remained stable at approximately HK\$19.9 million for both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

GAIN UPON RECLASSIFICATION FROM LEASEHOLD LAND TO INVESTMENT PROPERTIES

No gain upon reclassification from leasehold land to investment properties was noted during the six months ended 30 September 2018.

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

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The loss on fair value change of investment properties of approximately HK\$4.0 million for the six months ended 30 September 2018 comparing with the gain of approximately HK\$2.2 million for the six months ended 30 September 2017 mainly represented the adjustment of exchange rate between Renminbi (“RMB”) and Hong Kong dollars of the Group’s properties located in the PRC at the end of both reporting periods.

FINANCE COST

Finance cost increased by approximately 56.4% from approximately HK\$2.4 million for the six months ended 30 September 2017 to approximately HK\$3.8 million for the six months ended 30 September 2018. This was mainly due to the addition of shareholder’s loans with interest rate at 4.25% p.a. for general working capital of the Group.

PROSPECT

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the six months ended 30 September 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\$25.3 million as at 30 September 2018 (31 March 2018: approximately HK\$22.3 million).

Bank and other borrowings

As at 30 September 2018, bank and other borrowings of the Group amounted to approximately HK\$158.6 million, including bank borrowings of approximately HK\$37.7 million and other borrowings of approximately HK\$120.9 million. Bank and other borrowings of approximately HK\$140.3 million are repayable within one year or on demand and approximately HK\$18.3 million are repayable over one year but not exceeding two years.

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

Leverage

The ratio of current assets to current liabilities of the Group was approximately 0.31 as at 30 September 2018 compared to approximately 0.46 as at 31 March 2018. The deterioration in current ratio was due to the increase in bank and other borrowings. The Group's gearing ratio as at 30 September 2018 was approximately 530.6% (31 March 2018: approximately 243.4%), which is calculated based on the Group's bank and other borrowings of approximately HK\$158.6 million (31 March 2018: approximately HK\$131.5 million) and the Group's total equity of approximately HK\$29.9 million (31 March 2018: approximately HK\$54.0 million). The increase in gearing ratio was mainly due to the increase in bank and other borrowings and decrease in total equity.

INTERIM DIVIDENDS

The Board does not recommend declaring any interim dividends for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

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

Foreign currency risk

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars, RMB and United States dollars (“USD”). In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the six months ended 30 September 2018. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months ended 30 September 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 30 September 2018, trade receivables and trade payables of the Group were approximately HK\$15.9 million and HK\$1.1 million (31 March 2018: approximately HK\$6.3 million and approximately HK\$4.7 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

Liquidity risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

As at 30 September 2018, bank and other borrowings of approximately HK\$155.0 million (31 March 2018: approximately HK\$123.3 million) and approximately HK\$3.6 million (31 March 2018: approximately HK\$8.2 million) were denominated in Hong Kong dollars and USD, respectively. The Group's bank loans are subject to floating interest rates while obligations under finance leases and shareholder's loans are subject to fixed interest rates. Cash and cash equivalents held by the Group were mainly denominated in USD, RMB and Hong Kong dollars. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

CHARGE OF ASSETS

As of 30 September 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\$100.2 million (31 March 2018: approximately HK\$28.5 million) were pledged as first legal charges for the Group's banking facilities.

OTHER INFORMATION

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 27 June 2018, Takson (B.V.I.) Limited, a wholly-owned subsidiary of the Company as purchaser (the **"Purchaser"**) entered into a sale and purchase agreement with Mr. Lee Sip Hop, Andrew and Mr. Lee Alexander Chun Lum as sellers (the **"Sellers"**), pursuant to which the Purchaser has conditionally agreed to acquire and the Sellers have agreed to sell 60% of the issued Shares in Super X International Limited (**"Super X"**) for a consideration of not more than HK\$10,800,000, which will be settled in cash (the **"Proposed Acquisition"**). Super X is principally engaged in sourcing, subcontracting, selling and distribution of outdoor garment and sportswear products, especially licensed products under the brand "Super-X Sportswear". As at the date of this report, the conditions to the Proposed Acquisition have not been fulfilled and the Proposed Acquisition has not been completed.

Save as disclosed, the Group had no material acquisition and disposal of subsidiaries or associated companies during the six months ended 30 September 2018.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 30 September 2018 are set out in note 4 to the condensed consolidated financial statements attached to this interim report.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 30 September 2018 are set out in note 20(a) to the condensed consolidated financial statements attached to this interim report.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 30 September 2018, the utilised facilities amounted to approximately HK\$37.7 million (31 March 2018: approximately HK\$8.2 million).

Except for the foregoing, as at 30 September 2018, the Group had no other significant contingent liabilities or pending litigation.

STAFF AND REMUNERATION POLICIES

As at 30 September 2018, the Group had a total of 34 employees (31 March 2018: 38 employees). Total staff costs (including Directors' emoluments) for the six months ended 30 September 2018 amounted to approximately HK\$9.4 million (for the six months ended 30 September 2017: approximately HK\$8.6 million). Primary means of remuneration include contributory provident funds, insurance and standard medical benefits. The emoluments of the Directors are decided by the remuneration committee of the Company based on the Company's operating results, individual performance and comparable market statistics. The Group has

also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As at 30 September 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.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the six months ended 30 September 2018.

CHANGES IN DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors subsequent to the publication of the annual report of the Company for the year ended 31 March 2018 are set out below:

Mr. Zhang Jinbing was appointed as an executive Director with effect from 12 September 2018, he was also appointed as chairman of the Board and chairman of remuneration committee of the Company with effect from 25 October 2018. Details of his biography are set out in the announcement of the Company dated 12 September 2018.

Mr. Chau Tien Hsiang was appointed as an executive Director with effect from 12 September 2018, he was also appointed as chairman of nomination committee of the Company with effect from 25 October 2018. Details of his biography are set out in the announcement of the Company dated 12 September 2018.

Ms. Yang Yanli was appointed as an independent non-executive Director and a member of audit committee, remuneration committee and nomination committee of the Company with effect from 25 October 2018. Details of her biography are set out in the announcement of the Company dated 25 October 2018.

Mr. Chow Hiu Tung was appointed as independent non-executive Director and chairman of the audit committee and a member of the remuneration committee of the Company with effect from 25 October 2018. Details of his biography are set out in the announcement of the Company dated 25 October 2018.

Mr. Zhao Hangen was appointed as an independent non-executive Director and a member of audit committee and nomination committee of the Company with effect from 25 October 2018. Details of his biography are set out in the announcement of the Company dated 25 October 2018.

Mr. Zhou Xinyu resigned as an executive Director, chairman of the Board and chief executive officer (“CEO”) of the Company with effect from 25 October 2018.

Ms. Ni Lijun resigned as an independent non-executive Director with effect from 25 October 2018.

Mr. Shen Guoquan resigned as an independent non-executive Director with effect from 25 October 2018.

Mr. Chen Jianjun resigned as an independent non-executive Director with effect from 25 October 2018.

OTHER INFORMATION

The office of Ms. Niu Fang as an executive Director was vacated on 20 November 2018 pursuant to Article 89(3) of the bye-laws of the Company and that she ceased to be a member of the remuneration committee of the Company on the same date.

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

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

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

No share options under the above scheme were granted nor exercised during the six months ended 30 September 2018 and no share options were outstanding as at 30 September 2018.

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

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

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
Mr. Zhang Jinbing ("Mr. Zhang")	Interest in controlled corporation (<i>Note</i>)	546,448,493 (<i>Note</i>)	70.47%

Note:

Mr. Zhang is the sole beneficial owner of Always Profit Development Limited ("Always Profit"). Mr. Zhang was deemed to be interested in 546,448,493 shares in the Company held by Always Profit pursuant to the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2018.

As of the date of this report, Always Profit holds a total of 547,042,493 shares of the Company, representing 70.55% of its issued share capital following the mandatory unconditional cash offer (the "Offer") made by Always Profit pursuant to Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers for all the issued shares of the Company (other than those already owned or to be acquired by Always Profit and the parties acting in concert with it), completion of which took place on 25 October 2018. Mr. Zhang is deemed to be interested in 547,042,493 shares of the Company held by Always Profit pursuant to the SFO.

Please refer to the announcements dated 29 August 2018, 7 September 2018, 24 September 2018, 5 October 2018 and 25 October 2018, issued by Always Profit and/or the Company, as the case may be, the offer document dated 10 September 2018 issued by Always Profit and the response document dated 11 October 2018 issued by the Company for further information relating to the Offer.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and the chief executives of the Company, as at 30 September 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	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	546,448,493	70.47%

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2018.

As of the date of this report, Always Profit holds a total of 547,042,493 shares of the Company, representing 70.55% of its issued share capital upon completion of the Offer on 25 October 2018.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 September 2018 except for the following deviation:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer (the "CEO") should be separated. The positions of chairman and CEO of the Company have been held by Mr. Zhou Xinyu since 1 February 2018. The Board believes that holding of both positions of chairman and CEO by the same person allows more effective planning and execution of business strategies. Following the resignation of Mr. Zhou Xinyu as an executive Director, chairman of the Board and CEO of the Company on 25 October 2018, Mr. Zhang was appointed as chairman of the Board of the Company. Hence, a new CEO of the Company will not be appointed until a suitable candidate has been identified for such purpose.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2018.

Ms. Niu Fang, an executive Director, has been uncontactable by the Company since April 2018. Hence the Company has not been able to seek Ms. Niu Fang's confirmation in which she has complied with the Model Code during the six months ended 30 September 2018.

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

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include reviewing and supervising of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the condensed consolidated financial statements of the Group for the six months ended 30 September 2018 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards. The Audit Committee currently comprises of three INEDs, namely Mr. Chow Hiu Tung, Mr. Zhao Hangen and Ms. Yang Yanli.

By Order of the Board

STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

Zhang Jinbing

Chairman

Hong Kong

29 November 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

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

(Incorporated in the Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of State Energy Group International Assets Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 16 to 36, which comprise the condensed consolidated statement of financial position as at 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the condensed consolidated financial statements which indicates that the Group incurred a net loss of HK\$22,413,000 for the six month period ended 30 September 2018 and, as of 30 September 2018, the Group's current liabilities exceeded its current assets by HK\$102,814,000. These events or conditions indicates that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

CHENG & CHENG LIMITED

Certified Public Accountants

Chan Shek Chi

Practising Certificate number P05540

Hong Kong, 29 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Notes		
Revenue	4	48,295	3,104
Cost of sales		(42,536)	(318)
		5,759	2,786
Gross profit			
Other income		504	226
Selling, distribution and marketing expenses		(1,056)	(1,423)
Administrative expenses		(19,856)	(19,949)
Gain upon reclassification from leasehold land to investment properties		—	47,227
Change in fair value of investment properties		(3,975)	2,175
		(18,624)	31,042
Operating (loss)/profit			
Finance costs	5	(3,789)	(2,422)
		(22,413)	28,620
(Loss)/profit before taxation	6		
Income tax	8	—	—
		(22,413)	28,620
(Loss)/profit for the period			
Other comprehensive (loss)/income for the period (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(1,691)	763
		(24,104)	29,383
Total comprehensive (loss)/income for the period			
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(21,246)	29,497
Non-controlling interests		(1,167)	(877)
		(22,413)	28,620

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	<i>Notes</i>		
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(22,207)	29,931
Non-controlling interests		(1,897)	(548)
		(24,104)	29,383
(Loss)/earnings per share attributable to the equity holders of the Company during the period			
— basic (HK cents)	9	(2.74)	3.80
— diluted (HK cents)	9	(2.74)	3.80

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
ASSETS			
Non-current assets			
Plant and equipment	11	3,075	5,037
Investment properties		152,132	156,107
		155,207	161,144
Current assets			
Inventories		1,090	6,946
Trade receivables	12	15,909	6,312
Deposits, prepayments and other receivables	13	3,009	3,491
Pledged bank deposit		523	550
Cash and cash equivalents		25,275	22,280
		45,806	39,579
Total assets		201,013	200,723
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	77,540	77,540
Reserves		(54,424)	(32,217)
		23,116	45,323
Non-controlling interests		6,783	8,680
Total equity		29,899	54,003

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings and obligations under finance leases	17	—	223
Other borrowings	21(b)	18,647	56,269
Deferred tax liabilities		3,847	3,847
		22,494	60,339
Current liabilities			
Trade payables	14	1,101	4,674
Other payables and accrued charges	15	2,402	4,529
Bank borrowings and obligations under finance leases	17	37,725	8,360
Other borrowings	21(b)	107,392	68,818
		148,620	86,381
Total liabilities		171,114	146,720
Total equity and liabilities		201,013	200,723
Net current liabilities		(102,814)	(46,802)
Total assets less current liabilities		52,393	114,342

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	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 2017 (Audited)	77,540	66,894	11,855	2,214	(988)	–	(129,952)	27,563	–	27,563
Profit for the period	–	–	–	–	–	–	29,497	29,497	(877)	28,620
Other comprehensive income	–	–	–	–	434	–	–	434	329	763
Total comprehensive income for the period	–	–	–	–	434	–	29,497	29,931	(548)	29,383
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	10,220	10,220
Balance at 30 September 2017 (Unaudited)	77,540	66,894	11,855	2,214	(554)	–	(100,455)	57,494	9,672	67,166
Balance at 1 April 2018 (Audited)	77,540	66,894	11,855	2,214	148	3,285	(116,613)	45,323	8,680	54,003
Loss for the period	–	–	–	–	–	–	(21,246)	(21,246)	(1,167)	(22,413)
Other comprehensive loss	–	–	–	–	(961)	–	–	(961)	(730)	(1,691)
Total comprehensive loss for the period	–	–	–	–	(961)	–	(21,246)	(22,207)	(1,897)	(24,104)
Balance at 30 September 2018 (Unaudited)	77,540	66,894	11,855	2,214	(813)	3,285	(137,859)	23,116	6,783	29,899

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018 <i>(Unaudited)</i> <i>HK\$'000</i>	2017 <i>(Unaudited)</i> <i>HK\$'000</i>
Net cash outflow from operating activities	(23,547)	(12,697)
Investing activities		
Increase in financial assets at fair value through profit or loss	—	(5,869)
Proceed on disposal of plant and equipment	1,845	—
Other cash flows arising from investing activities	83	2,872
Net cash inflow/(outflow) from investing activities	1,928	(2,997)
Financing activities		
Repayment of bank loans	(5,493)	(16,833)
Repayment of other borrowings	(2,000)	—
New bank loans obtained	35,000	—
Increase in shareholder's loans	—	39,191
Contribution from non-controlling interests	—	10,220
Other cash flows arising from financing activities	(1,202)	(953)
Net cash inflow from financing activities	26,305	31,625
Net increase in cash and cash equivalents	4,686	15,931
Cash and cash equivalents at beginning of period	22,280	8,328
Effects of exchange rate changes, net	(1,691)	762
Cash and cash equivalents at end of period	25,275	25,021
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	25,275	25,021

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

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

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

These condensed consolidated financial statements has been approved for issue by the Board on 29 November 2018.

2. BASIS OF PREPARATION

This condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

The condensed consolidated financial statements have been prepared on a going concern basis even through the Group incurred a net loss approximately HK\$22,413,000 for the six months ended 30 September 2018, and the Group’s current liabilities exceeds its current assets by approximately HK\$102,814,000 at 30 September 2018. The directors are of the opinion that this basis is appropriate because a controlling shareholder has agreed to provide continuing financial support, if necessary, to the Group to meet its obligation as and when they fall due. In addition, 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. Accordingly, it is not necessary to include any adjustments that would be required should the Group fail to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

During the six months ended 30 September 2018, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration
Amendments to HKAS 40	Transfers of investment property

The application of the new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements but more disclosures as required by HKFRS 15 are presented in note 4 to these condensed consolidated financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION

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

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

- (a) Export business — Sales of garments to overseas customers; and
- (b) Property investment — Investing and letting of properties.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 September 2018 and 2017, respectively.

	For the six months ended 30 September 2018		
	Export business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue			
– Sales of garments:			
recognised at a point in time			
– Africa	40,871	—	40,871
– Australia	4,381	—	4,381
– Rental income:			
recognised over time			
– Hong Kong	—	1,902	1,902
– People's Republic of China	—	1,141	1,141
	45,252	3,043	48,295
Segment profit/(loss)	1,815	(1,218)	597
Unallocated operating income			391
Unallocated expenses			(19,612)
Finance costs			(3,789)
Loss before taxation			(22,413)
Income tax			—
Loss for the period			(22,413)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 September 2017		
	Export business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue			
– Sales of garments: recognised at a point in time			
– United States of America	433	–	433
– Rental income: recognised over time			
– Hong Kong	–	1,649	1,649
– People's Republic of China	–	1,022	1,022
	433	2,671	3,104
Segment (loss)/profit	(3,664)	51,096	47,432
Unallocated operating income			112
Unallocated expenses			(16,502)
Finance costs			(2,422)
Profit before taxation			28,620
Income tax			–
Profit for the period			28,620

The following table presents asset and liability information for the Group's operating segments as at 30 September 2018 and 31 March 2018, respectively:

	As at 30 September 2018		
	Export business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	17,477	152,390	169,867
Unallocated assets			31,146
Total assets			201,013
Segment liabilities	1,237	39,218	40,455
Unallocated liabilities			130,659
Total liabilities			171,114

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2018		
	Export business <i>(Audited)</i> <i>HK\$'000</i>	Property investment <i>(Audited)</i> <i>HK\$'000</i>	Total <i>(Audited)</i> <i>HK\$'000</i>
Segment assets	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

By geographical segments:

	Turnover For the six months ended 30 September	
	2018 <i>(Unaudited)</i> <i>HK\$'000</i>	2017 <i>(Unaudited)</i> <i>HK\$'000</i>
Africa	40,871	—
Australia	4,381	—
United States of America	—	433
Hong Kong	1,902	1,649
People's Republic of China	1,141	1,022
	48,295	3,104

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. FINANCE COSTS

	For the six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank loans	829	765
Interest element of finance lease obligations	8	9
Interest on other borrowings/ shareholder's loans	2,952	1,648
	3,789	2,422

6. (LOSS)/PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Crediting		
Interest income	(179)	(105)
Gain upon reclassification from leasehold land to investment properties	—	(47,227)
Gain on disposal of fixed assets	(319)	—
Change in fair value of investment properties	—	(2,175)
Charging		
Cost of inventories sold	42,536	318
Change in fair value of investment properties	3,975	—
Net exchange loss	64	—
Depreciation	386	391
Legal and professional fee	6,238	2,019
Written off of fixed assets	—	1,381
Operating lease rentals in respect of land and buildings	1,859	1,692
Staff costs, including directors' emoluments (Note 7)	9,389	8,613

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. STAFF COSTS

	For the six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	9,017	8,297
Retirement benefit costs	372	316
	9,389	8,613

8. INCOME TAX

No provision of Hong Kong profits tax has been made on the estimated assessable profit of a subsidiary of the Company operating in Hong Kong as it had available tax losses brought forward to offset the assessable profits generated during the six months ended 30 September 2018 (2017: Nil).

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

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

At the end of the reporting period, the Group has unused tax losses of approximately HK\$187,416,000 (31 March 2018: HK\$188,568,000) available for offset against future profits that may be carried forward indefinitely.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

9. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2018	2017
(Loss)/profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	(21,246)	29,497
Weighted average number of ordinary shares in issue (<i>thousands</i>)	775,406	775,406
Basic (loss)/earnings per share (<i>HK cents</i>)	(2.74)	3.80
Diluted (loss)/earnings per share (<i>HK cents</i>)	(2.74)	3.80

10. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

11. PLANT AND EQUIPMENT

During the six months ended 30 September 2018, plant and equipment with net book value of approximately HK\$1,526,000 was disposed of at a consideration of approximately HK\$1,845,000 resulting in a profit of approximately HK\$319,000 recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

12. TRADE RECEIVABLES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Trade receivables	15,909	6,312

The majority of the Group's export sales are generally on open account of a range from 90 days to 120 days from the date of bill of lading.

At 30 September 2018, the aging analysis of trade receivables based on invoice date, which approximated the revenue recognition date is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within 1 month	1,820	6,312
1 to 3 months	9,770	—
Over 3 months	4,319	—
	15,909	6,312

The trade receivables were denominated in USD and Hong Kong dollars.

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Trade deposits and other receivables	467	692
Prepayments	308	151
Rental, utilities and sundry deposits	2,234	2,648
	3,009	3,491

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. TRADE PAYABLES

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

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within 1 month	383	4,674
1 to 3 months	718	—
	1,101	4,674

All trade payables were denominated in US dollars.

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

15. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Rental deposits received	1,331	1,307
Accrued expenses	919	3,068
Other payables	152	154
	2,402	4,529

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 March 2018 and 30 September 2018	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2018 and 30 September 2018	775,406,000	77,540

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

- (a) At 30 September 2018, the Group's bank loans and obligations under finance leases are repayable as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Obligations under finance lease	—	365
Bank borrowings – secured	37,725	8,218
	37,725	8,583
Obligations under finance leases repayable:		
Within one year	—	142
In the second year	—	147
In the third to fifth years, inclusive	—	76
	—	365
Secured bank borrowings repayable within one year or on demand	37,725	8,218
	37,725	8,583
Amount repayable within one year included under current liabilities	(37,725)	(8,360)
Amount repayable after one year	—	223

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

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

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Hong Kong dollars	34,086	365
United States dollars	3,639	8,218
	<hr/> 37,725 <hr/>	<hr/> 8,583 <hr/>

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

	30 September 2018 (Unaudited)	31 March 2018 (Audited)
Hong Kong dollars	3.5%	—
United States dollars	8.1%	7.9%

18. BANKING FACILITIES

As at 30 September 2018, the Group's banking facilities amounting to approximately HK\$37,725,000 (31 March 2018: approximately HK\$8,218,000) were secured by the following:

- (a) first legal charge over the Group's investment properties in Hong Kong and the PRC with an aggregate carrying value of approximately HK\$100,247,000 (31 March 2018: investment properties in the PRC approximately HK\$28,519,000) and a deposit of approximately HK\$523,000 (31 March 2018: approximately HK\$550,000); and
- (b) corporate guarantees from the Company and certain of its subsidiaries.

19. CONTINGENT LIABILITIES

The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30 September 2018, the facilities utilised amounted to HK\$37,725,000 (31 March 2018: HK\$8,218,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

20. COMMITMENTS

(a) Capital commitments

As at 30 September 2018, the Group had outstanding capital commitments as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Capital contributions		
Contracted but not provided for	57,772	64,370

At 30 September 2018, the total capital commitments of the Group amounted to approximately HK\$57,772,000 mainly represented the contracted 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.

At 30 September 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within one year	3,849	4,198
In the second to fifth years, inclusive	792	3,324
	4,641	7,522

The Group as lessor:

The Group leases its investment properties under operating lease arrangement, with leases negotiated for terms of two years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

20. COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (continued)

At 30 September 2018, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within one year	4,108	6,386
In the second to fifth years, inclusive	408	1,856
	4,516	8,242

21. RELATED-PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	3,924	4,089

(b) Other borrowings

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Loans from a former shareholder	120,926	122,926
Fair value adjustment at initial recognition	(3,285)	(3,285)
Accrued interest	8,398	5,446
	126,039	125,087

Except for the loans from a former 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 of these borrowings ranged from 3.96% to 5.75%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

21. RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Other borrowings (continued)

Subsequent to the end of the reporting period, the amounts due to a former shareholder was assigned to a related company of the Group by a court order on 6 November 2018.

22. EVENTS AFTER THE REPORTING PERIOD

On 6 November 2018, the amounts due to a former controlling shareholder, State Energy HK Limited, of approximately HK\$126,039,000 as at 30 September 2018 was assigned to a related company of the Group by the High Court of the Hong Kong Special Administrative Region.