

2019

INTERIM REPORT



**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

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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 2019, together with the comparatives.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sourcing, subcontracting, marketing and selling of garments and sportswear products (i.e. the “**Garment Business**”) and property investment (i.e. the “**Property Business**”).

GARMENT BUSINESS

The Group’s products of the Garment Business in the past were primarily sourced from The People’s Republic of China (“**PRC**”) and exported to the North America (the “**North America Business**”). At present, the Garment Business comprises (i) the Brand Business, which the Group designs, sources, subcontracts and distributes outerwear garments and sportswear products in Hong Kong, Macau and China especially licensed products under the brand bearing the brand names of “ACCAPI”, an Italian brand and that the Group distributes sportswear products under the brand name of “Super X”, a Hong Kong brand respectively and (ii) the Africa Business, in which the Group sources, subcontracts and exports garments to Africa.

In late October 2019, the Group entered into an agreement to acquire the entire equity interest in Beijing Mosu Technology Limited* (北京墨蘇科技有限公司) (“**Beijing Mosu**”), in order to strengthen the Group’s brand portfolio and to enhance its competitiveness in the Garment Business. Beijing Mosu is principally engaged in the distribution of branded apparel.

PROPERTY INVESTMENT

As at 30 September 2019, the Group held six investment properties located in the PRC and six investment properties (including three car parking spaces) in Hong Kong for the purpose of generating rental income. For the six months ended 30 September 2019, all the investment properties of the Group were fully leased out with a few properties being rented out in August 2019. As at 30 September 2019, the value of the investment properties of the Company amounted to approximately HK\$160.2 million.

* for identification purpose only

FINANCIAL REVIEW

REVENUE

The Group recorded revenue of approximately HK\$88.2 million for the six months ended 30 September 2019, representing an increase of approximately HK\$39.9 million (82.6%) as compared to that of approximately HK\$48.3 million for the six months ended 30 September 2018. Revenue derived from the Garment business increased by approximately HK\$41.3 million (91.2%) from approximately HK\$45.3 million for the six months ended 30 September 2018 to approximately HK\$86.6 million for the six months ended 30 September 2019 mainly due to expansion of the Brand Business as a result of increasing number of orders. Revenue derived from property investment decreased by approximately 46.7% from approximately HK\$3 million for the six months ended 30 September 2018 to approximately HK\$1.6 million for the six months ended 30 September 2019. The decrease mainly resulted from a few properties only being rented out lately in August 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$10.4 million in respect of the Garment Business for the six months ended 30 September 2019, representing an increase of approximately HK\$7.7 million (285.2%) compared to approximately HK\$2.7 million for the six months ended 30 September 2018. The increase was in line with the increase in revenue. The gross profit margin of the Garment Business was approximately 12% for the six months ended 30 September 2019 compared to approximately 6.2% for the six months ended 30 September 2018. The increase was due to higher profit margin generated from Brand Business during this period.

The Group recorded a gross profit of approximately HK\$1.6 million in respect of the property investment business for the six months ended 30 September 2019, representing a decrease of approximately 46.7% as compared to approximately HK\$3 million for the six months ended 30 September 2018. The decrease mainly resulted from some properties only being rented out lately in August 2019 and hence there was a decrease in rental income.

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses decreased by approximately 27.2% from approximately HK\$1.1 million for the six months ended 30 September 2018 to approximately HK\$0.8 million for the six months ended 30 September 2019. The decrease was mainly due to decrease in marketing expenses for the Garment Business in respect of the North America market.

ADMINISTRATIVE EXPENSES

Administrative expense decreased by approximately 50% from approximately HK\$19.8 million for the six months ended 30 September 2018 to approximately HK\$9.9 million for the six months ended 30 September 2019. The decrease was mainly due to decrease in legal and professional fee related to listing and several potential acquisition projects and reduction in staff costs as a result of reorganisation of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The gain on fair value change of investment properties of approximately HK\$4.0 million for the six months ended 30 September 2019 represented fair value adjustment of the Group's properties located in Hong Kong and the PRC as at 30 September 2019.

FINANCE COST

Finance cost increased by approximately 52.6% from approximately HK\$3.8 million for the six months ended 30 September 2018 to approximately HK\$5.8 million for the six months ended 30 September 2019. This was mainly due to an increase in interest from amounts due to a related company for general working capital of the Group.

PROSPECT

Recently, the Group has expanded the Garment Business to sourcing, designing, selling and distribution of outdoor garments and sportswear products in Hong Kong and the PRC, especially licensed products under the brand bearing the brand names of "ACCAPI", an Italian brand and distribution of sportswear products under the brand name of "Super X", a Hong Kong brand respectively. The Group will continue to expand the product range, develop and explore products with higher profit margins, extend its distribution channels and customer base and develop worldwide market for its trading business.

The Group has also entered into an acquisition agreement on 30 October 2019 to acquire the entire equity interest in Beijing Mosu (the "**Acquisition**"). Beijing Mosu is principally engaged in the distribution of branded apparel under the brand name of Moose Knuckles in the PRC, Hong Kong and Macau through sales in retail store and also the brand name of Pretty Ballerinas through the online platform in the PRC. The Acquisition aims to strengthen the Group's brand portfolio and enhance its competitiveness in the Garment Business. The Group would seek to expand and penetrate into the PRC retail market through integration of sales and distribution network among different lines of the Garment Business with a view to enhancing the overall sales.

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the six months ended 30 September 2019, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash Position

The Group had total cash and bank balances (excluding pledged bank deposits) of approximately HK\$13.7 million as at 30 September 2019 (31 March 2019: approximately HK\$4.5 million).

Bank and other borrowings

As at 30 September 2019, bank and other borrowings of the Group amounted to approximately HK\$209.3 million, including bank borrowings of approximately HK\$31.9 million, shareholder's loan of approximately HK\$105.9 million and other borrowings of approximately HK\$71.5 million. All bank and other borrowings of approximately HK\$209.3 million are repayable within one year or on demand.

As at 31 March 2019, bank and other borrowings of the Group amounted to approximately HK\$198.6 million, including bank borrowings of approximately HK\$33 million, shareholder's loan of approximately HK\$96.0 million and other borrowings of approximately HK\$70 million. All bank and other borrowings of approximately HK\$198.6 million are repayable within one year or on demand.

Leverage

The ratio of current assets to current liabilities of the Group was approximately 0.4 as at 30 September 2019 compared to approximately 0.4 as at 31 March 2019 which remains stable for the two periods. The Group's gearing ratio as at 30 September 2019 was approximately 861.3% (31 March 2019: approximately 680.0%), which is calculated based on the Group's bank and other borrowings of approximately HK\$209.3 million (31 March 2019: approximately HK\$198.6 million) and the Group's total equity of approximately HK\$24.3 million (31 March 2019: approximately HK\$29.2 million). The increase in gearing ratio was mainly due to the increase in bank and other borrowings.

INTERIM DIVIDENDS

The Board does not recommend declaring any interim dividends for the six months ended 30 September 2019 (for the six months ended 30 September 2018: 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 2019. 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 2019 and 2018, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group’s foreign currency exposure and take actions as appropriate.

Credit risk

The Group’s credit exposure generally arises from counterparty risk in the course of engaging in the Garment Business and the Property Business. As at 30 September 2019, trade receivables and trade payables of the Group were approximately HK\$36.2 million and HK\$17.4 million (31 March 2019: approximately HK\$39.4 million and approximately HK\$1.8 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 2019, bank and other borrowings of approximately HK\$209.3 million (31 March 2019: approximately HK\$198.6 million) (31 March 2019: Nil) were denominated in Hong Kong dollars. The Group's bank loans are subject to floating interest rates while shareholder's loans and loans from related company 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 2019, the investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$79.2 million (31 March 2019: approximately HK\$76.5 million) were pledged as first legal charges for the Group's banking facilities.

OTHER INFORMATION

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

In November 2018, the Company entered into an agreement for the disposal of the subsidiary, Takson Logistics Limited (“TCL”) at a cash consideration of approximately RMB7,408,000 (approximately HK\$8,741,000). Completion of the disposal was taken place on 16 May 2019.

TCL holds 55% equity interests in Jiangsu Youyi International Logistics Co., Ltd. (“**Jiangsu Youyi**”), which was disposed upon the completion of disposal of TCL on 16 May 2019.

Save as disclosed, the Group had no material acquisition and disposal of subsidiaries or associated companies during the six months ended 30 September 2019.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the six months ended 30 September 2019 are set out in note 4 to the condensed consolidated financial statements attached to this interim report.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 30 September 2019.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 30 September 2019, the utilised facilities amounted to approximately HK\$31.9 million (31 March 2019: approximately HK\$33 million).

Except for the foregoing, as at 30 September 2019, the Group had no other significant contingent liabilities or pending litigation.

STAFF AND REMUNERATION POLICIES

As at 30 September 2019, the Group had a total of 33 employees (31 March 2019: 26 employees). Total staff costs (including Directors’ emoluments) for the six months ended 30 September 2019 amounted to approximately HK\$4.6 million (for the six months ended 30 September 2018: approximately HK\$9.4 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 2019, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the six months ended 30 September 2019.

CHANGES IN DIRECTORS

There are no other matters that are required 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 2019, 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 2019 and no share options were outstanding as at 30 September 2019.

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

As at 30 September 2019, 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:

OTHER INFORMATION

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 2019.

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors and the chief executives of the Company, as at 30 September 2019, 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 2019.

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 2019.

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, the Company confirmed that all Directors complied with the required standards as set out in the Model Code during the six months ended 30 September 2019.

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 in conjunction with the Company external auditor have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 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 2019

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 14 to 40, which comprise the condensed consolidated statement of financial position as at 30 September 2019 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 months 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 as of 30 September 2019, the Group's current liabilities exceeded its current assets by HK\$135,478,000. 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 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019 <i>(Unaudited)</i> HK\$'000	2018 <i>(Unaudited)</i> HK\$'000
	Notes		
Revenue	4	88,208	48,295
Cost of sales		(76,207)	(42,536)
		12,001	5,759
Gross profit			
Other losses and gains		368	—
Other income		25	504
Selling, distribution and marketing expenses		(769)	(1,056)
Administrative expenses		(9,925)	(19,856)
Loss allowance on trade receivables		(95)	—
Change in fair value of investment properties		3,975	(3,975)
		5,580	(18,624)
Operating profit/(loss)			
Finance costs	5	(5,767)	(3,789)
		(187)	(22,413)
Loss before taxation	7		
Income tax	9	639	—
		452	(22,413)
Profit/(loss) for the period			
Other comprehensive expense 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)
Release of translation reserve upon disposal of subsidiaries		(393)	—
		59	(24,104)
Total comprehensive income/(expense) for the period			
Profit/(loss) for the period attributable to:			
Equity holders of the Company		452	(21,246)
Non-controlling interests		—	(1,167)
		452	(22,413)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
	<i>Notes</i>		
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company		59	(22,207)
Non-controlling interests		—	(1,897)
		59	(24,104)
Earnings/(loss) per share attributable to the equity holders of the Company during the period			
— basic (HK cents)	10	0.06	(2.74)
— diluted (HK cents)	10	0.06	(2.74)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
ASSETS			
Non-current assets			
Plant and equipment	12	1,634	1,405
Right-of-use assets	12	4,832	—
Investment properties	13	160,187	156,212
Rental deposit		680	—
		167,333	157,617
Current assets			
Inventories		28,065	16,001
Trade receivables	14	36,227	39,443
Deposits, prepayments and other receivables	15	17,880	7,321
Pledged bank deposit		—	522
Cash and cash equivalents		13,747	4,543
		95,919	67,830
Assets classified as held for sale		—	14,339
		95,919	82,169
		263,252	239,786
Total assets			
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	77,540	77,540
Reserves		(53,193)	(54,628)
		24,347	22,912
Non-controlling interests		—	6,296
Total equity		24,347	29,208

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,300	—
Rental deposit received		489	—
Deferred tax liabilities		3,719	4,358
		7,508	4,358
Current liabilities			
Trade payables	16	17,428	1,828
Other payables and accrued charges	17	2,694	5,221
Bank borrowings	19	31,858	32,972
Amounts due to a shareholder	20	105,959	95,971
Amounts due to a related company	21	71,455	69,666
Lease liabilities		1,789	—
Tax payable		214	214
		231,397	205,872
Liabilities directly associated with assets classified as held for sale		—	348
		231,397	206,220
Total liabilities		238,905	210,578
Total equity and liabilities		263,252	239,786
Net current liabilities		(135,478)	(124,051)
Total assets less current liabilities		31,855	33,566

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 2019

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Consolidation reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
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 expense	-	-	-	-	(961)	-	-	(961)	(730)	(1,691)
Total comprehensive expense 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	29,999
Balance at 1 April 2019 (Audited)	77,540	66,894	11,855	2,214	393	8,878	(144,862)	22,912	6,296	29,208
Profit for the period	-	-	-	-	-	-	452	452	-	452
Other comprehensive expense	-	-	-	-	(393)	-	-	(393)	-	(393)
Total comprehensive income/(expense) for the period	-	-	-	-	(393)	-	452	59	-	59
Equity contribution from a shareholder	-	-	-	-	-	1,376	-	1,376	-	1,376
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(6,296)	(6,296)
Balance at 30 September 2019 (Unaudited)	77,540	66,894	11,855	2,214	-	10,254	(144,410)	24,347	-	24,347

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 2019

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash outflow from operating activities	(5,366)	(23,547)
Investing activities		
Net cash outflow from disposal of subsidiaries	(3,922)	—
Purchase of plant and equipment	(1,118)	(123)
Proceed on disposal of plant and equipment	—	1,845
Interest received	23	179
Withdrawal of pledged bank deposits	522	27
Net cash (outflow)/inflow from investing activities	(4,495)	1,928
Financing activities		
Interest paid	(868)	(837)
Repayment of lease liabilities	(328)	—
Repayment of bank loans	(1,114)	(5,493)
Repayment of other borrowings	—	(2,000)
Proceed from loans from a shareholder	24,800	—
Repayment of loans from a shareholder	(16,546)	—
New bank loans obtained	—	35,000
Capital element of finance lease obligations paid	—	(365)
Net cash inflow from financing activities	5,944	26,305
Net (decrease)/increase in cash and cash equivalents	(3,917)	4,686
Cash and cash equivalents at beginning of period	17,206	22,280
Effects of exchange rate changes, net	458	(1,691)
Cash and cash equivalents at end of period	13,747	25,275
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	13,747	25,275

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 2019

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Bermuda and its shares (the “**Shares**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is Unit 13, 5th Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

These condensed consolidated financial statements has been approved for issue by the Board on 29 November 2019.

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

2. BASIS OF PREPARATION

This condensed consolidated financial statements for the six months ended 30 September 2019 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 2019.

The condensed consolidated financial statements have been prepared on a going concern basis even through the Group’s current liabilities exceeds its current assets by approximately HK\$135,478,000 at 30 September 2019. 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 2019

3. ACCOUNTING POLICIES

(a) Overview

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

During the six months ended 30 September 2019, 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 16	Leases
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual improvement to HKFRSs 2015-2017 Cycle

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

(b) HKFRS 16, Leases

The Group has applied HKFRS 16 for the first time in the six months ended 30 September 2019. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

(b)(i) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16, Leases (continued)

(b)(i) *Key changes in accounting policies resulting from application of HKFRS 16 (continued)*

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of rented retail store that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16, Leases (continued)

(b)(i) *Key changes in accounting policies resulting from application of HKFRS 16 (continued)*

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented with "investment property".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16, Leases (continued)

(b)(i) *Key changes in accounting policies resulting from application of HKFRS 16 (continued)*

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16, Leases (continued)

(b)(i) *Key changes in accounting policies resulting from application of HKFRS 16 (continued)*

As a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16, Leases (continued)

(b)(i) *Key changes in accounting policies resulting from application of HKFRS 16 (continued)*

As a lessor (continued)

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(b)(ii) *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply HKFRS16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by- lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 16, Leases (continued)

(b)(ii) *Transition and summary of effects arising from initial application of HKFRS 16 (continued)*

As a lessee (continued)

The Group do not recognised lease liabilities and right-of-use assets at 1 April 2019.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	2,602
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(2,602)
	<hr/>
Total lease liabilities recognised at 1 April 2019	— <hr/>

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate of income from the garment business and gross rental income received and receivable from leasing of the investment properties of the Group in Hong Kong and the People's Republic of China (the "PRC", for the purpose of this report, excluding Hong Kong, Macau and Taiwan).

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) Garment business (2018: Export business) — Sales of garments to both local and overseas customers (2018: 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 2019 and 2018, respectively.

	For the six months ended 30 September 2019		
	Garment business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue			
– Sales of garments: recognised at a point in time			
– Africa	37,971	—	37,971
– Hong Kong	48,630	—	48,630
– Rental income: recognised over time			
– Hong Kong	—	934	934
– PRC	—	673	673
	86,601	1,607	88,208
Segment profit	4,393	5,930	10,323
Plant and equipment written off			(712)
Gain on disposal of subsidiaries			1,439
Unallocated operating income			5
Unallocated expenses			(5,475)
Finance costs			(5,767)
Loss before taxation			(187)
Income tax			639
Profit for the period			452

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	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
– PRC	–	1,141	1,141
	<hr/>	<hr/>	<hr/>
	45,252	3,043	48,295
	<hr/>	<hr/>	<hr/>
Segment profit/(loss)	1,815	(1,218)	597
Unallocated operating income			391
Unallocated expenses			(19,612)
Finance costs			(3,789)
			<hr/>
Loss before taxation			(22,413)
Income tax			–
			<hr/>
Loss for the period			(22,413)
			<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following table presents asset and liability information for the Group's operating segments as at 30 September 2019 and 31 March 2019, respectively:

	As at 30 September 2019		
	Garment business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	87,272	160,524	247,796
Unallocated assets			15,456
Total assets			263,252
Segment liabilities	24,743	807	25,550
Unallocated liabilities			150
Tax payable			214
Bank borrowings			31,858
Amounts due to a shareholder			105,959
Amounts due to a related company			71,455
Deferred tax liabilities			3,719
Total liabilities			238,905

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2019		
	Garment business (Audited) HK\$'000	Property investment (Audited) HK\$'000	Total (Audited) HK\$'000
Segment assets	57,620	156,700	214,320
Unallocated assets			11,127
Asset classified as held for sale			14,339
Total assets			239,786
Segment liabilities	1,828	1,149	2,977
Unallocated liabilities			4,072
Tax payable			214
Bank borrowings			32,972
Amounts due to a shareholder			95,971
Amounts due to a related company			69,666
Liabilities directly associated with assets classified as held for sale			348
Deferred tax liabilities			4,358
Total liabilities			210,578

By geographical segments:

	Turnover For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Africa	37,971	40,871
Australia	—	4,381
Hong Kong	49,564	1,902
PRC	673	1,141
	88,208	48,295

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. FINANCE COSTS

	For the six months ended 30 September	
	2019 <i>(Unaudited)</i> HK\$'000	2018 <i>(Unaudited)</i> HK\$'000
Interest on bank loans	626	829
Interest on lease liabilities	105	—
Interest element of finance lease obligations	—	8
Interest on loans from a shareholder	3,247	2,952
Interest on loans from a related company	1,789	—
	5,767	3,789

6. GAIN ON DISPOSAL OF SUBSIDIARIES

In November 2018, the Company entered into an agreement for the disposal of the subsidiary, Takson Logistics Limited (“TCL”) for consideration of approximately RMB7,408,000 (approximately HK\$8,741,000). Completion of the disposal was taken place on 16 May 2019.

TCL holds 55% equity interests in Jiangsu Youyi International Logistics Co., Ltd. (“Jiangsu Youyi”), which was disposed upon the completion of disposal of TCL on 16 May 2019.

All assets and liabilities under the TCL were classified as assets and liabilities held for sale as at 31 March 2019.

	HK\$'000
Plant and equipment	1,251
Other receivables, prepayments and deposits paid	425
Bank balances and cash	12,663
Other payables and accruals	(348)
	13,991
Net assets disposed of	13,991
Release of translation reserve upon disposal of foreign subsidiaries	(393)
Release of non-controlling interests upon disposal of subsidiaries	(6,296)
Gain on disposal of subsidiaries	1,439
	8,741
Net cash flow arising on disposal:	
Bank balances and cash received	8,741
Bank balances and cash disposed of	(12,663)
	(3,922)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7. LOSS BEFORE TAXATION

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

	For the six months ended 30 September	
	2019 <i>(Unaudited)</i> HK\$'000	2018 <i>(Unaudited)</i> HK\$'000
Crediting		
Interest income	(23)	(179)
Gain on disposal of plant and equipment	—	(319)
Gain on disposal of subsidiaries	(1,439)	—
Changes in fair value of investment properties	(3,975)	—
Charging		
Cost of inventories sold	76,207	42,536
Change in fair value of investment properties	—	3,975
Plant and equipment written off	712	—
Net exchange loss	359	64
Loss allowance on trade receivables	95	—
Depreciation of plant and equipment	342	386
Depreciation of right-of-use-assets	585	—
Legal and professional fee	411	6,238
Operating lease rentals in respect of land and buildings	—	1,859
Operating lease rentals in respect of short-term lease	1,410	—
Staff costs, including directors' emoluments (Note 8)	4,618	9,389

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

8. STAFF COSTS

	For the six months ended 30 September	
	2019 <i>(Unaudited)</i> HK\$'000	2018 <i>(Unaudited)</i> HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	4,493	9,017
Retirement benefit costs	125	372
	4,618	9,389

9. INCOME TAX

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

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 2019 (2018: 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\$146,873,000 (31 March 2019: approximately HK\$141,860,000) 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 2019

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2019	2018
Profit/(loss) attributable to the equity holders of the Company (<i>HK\$'000</i>)	452	(21,246)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	775,406	775,406
Basic earnings per share (<i>HK cents</i>)	0.06	(2.74)
Diluted earnings per share (<i>HK cents</i>)	0.06	(2.74)

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

11. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

12. PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group acquired plant and equipment with a cost of approximately HK\$1,283,000 (six months ended 30 September 2018: approximately HK\$123,000).

During the six months ended 30 September 2019, the Group entered into a new lease agreement for the use of a retail store for three years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognized both right-of-use asset and lease liabilities of approximately HK\$5,417,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. INVESTMENT PROPERTIES

	30 September 2019 <i>(Unaudited)</i> HK\$'000	31 March 2019 <i>(Audited)</i> HK\$'000
At the beginning of the period/year	156,212	156,107
Changes in fair value included in profit or loss for the period/year	3,975	105
At the end of the period/year	160,187	156,212

14. TRADE RECEIVABLES

	30 September 2019 <i>(Unaudited)</i> HK\$'000	31 March 2019 <i>(Audited)</i> HK\$'000
Trade receivables	36,723	39,844
Less: Loss allowance	(496)	(401)
Trade receivables, net	36,227	39,443

The majority of the Group's sales to overseas customers are generally on open account of 90 days to 120 days from the date of bill of lading. The credit period granted to local customers ranging from 30 to 90 days.

At 30 September 2019, the aging analysis of trade receivables which includes net of allowance for credit losses, based on invoice date, which approximated the revenue recognition date is as follows:

	30 September 2019 <i>(Unaudited)</i> HK\$'000	31 March 2019 <i>(Audited)</i> HK\$'000
Within 1 month	9,622	12,453
1 to 3 months	18,957	25,335
Over 3 months	7,648	1,655
	36,227	39,443

The trade receivables were denominated in United States Dollars ("US\$") and HK\$.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2019 <i>(Unaudited)</i> HK\$'000	31 March 2019 <i>(Audited)</i> HK\$'000
Trade deposits and other receivables	17,543	4,762
Prepayments	136	344
Rental, utilities and sundry deposits	201	2,215
	17,880	7,321

16. 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 2019 <i>(Unaudited)</i> HK\$'000	31 March 2019 <i>(Audited)</i> HK\$'000
Within 1 month	6,138	1,828
1 to 3 months	11,290	—
	17,428	1,828

The trade payables were denominated in US\$ and HK\$ (31 March 2019: US\$).

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days.

17. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2019 <i>(Unaudited)</i> HK\$'000	31 March 2019 <i>(Audited)</i> HK\$'000
Rental deposits received	579	959
Accrued expenses	2,115	1,902
Other payables	—	2,360
	2,694	5,221

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 March 2019 and 30 September 2019	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2019 and 30 September 2019	775,406,000	77,540

19. BANK BORROWINGS

(a) At 30 September 2019, the Group's bank borrowings are repayable as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Bank borrowings – secured (with a repayment on demand clause)(*)	31,858	32,972
Secured bank borrowings repayable within one year or on demand	31,858	32,972
Amount repayable within one year included under current liabilities	(31,858)	(32,972)
Amount repayable after one year	—	—

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

(b) The carrying amounts of the bank borrowings are denominated in the following currencies:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Hong Kong dollars	31,858	32,972

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

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
Hong Kong dollars	3.7%-3.8%	3.4%-3.8%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20. AMOUNTS DUE TO A SHAREHOLDER

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Loans from a shareholder	101,948	95,207
Accrued interests	4,011	764
	105,959	95,971
Amount repayable within one year included under current liabilities	(105,959)	(95,971)
Amount repayable after one year	—	—

Always Profit is the immediate holding company of the Company as at 30 September 2019 and 31 March 2019. The balance is newly advanced during the year ended 31 March 2019, which is unsecured, interest-free and has a term of 12 months from the date of drawdown. The effective interest rate is 5.88% (31 March 2019: 5.88%). At 30 September 2019, the amortised cost of loans from a shareholder was amounted to approximately HK\$105,959,000 (31 March 2019: approximately HK\$95,971,000).

21. AMOUNTS DUE TO A RELATED COMPANY

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Loans from a related company	58,841	58,841
Accrued interests	12,614	10,825
	71,455	69,666
Amount repayable within one year included under current liabilities	(71,455)	(69,666)
Amount repayable after one year	—	—

Except for the amounts due to a related company of HK\$12,600,000 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% (31 March 2019: 4.45%) and have a term 24 months from the date of drawdown on each loan with effective interest rates ranged from 3.94% to 5.75% (31 March 2019: 3.94% to 5.75%). During the period, the repayment date of each loan ranged from repayable on demand to January 2020 (31 March 2019: from May 2019 to January 2020).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

22. BANKING FACILITIES

As at 30 September 2019, the Group's banking facilities amounting to approximately HK\$31,858,000 (31 March 2019: approximately HK\$32,972,000) 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\$79,219,000 (31 March 2019: investment properties in Hong Kong and the PRC approximately HK\$76,518,000) and a deposit of approximately HK\$Nil (31 March 2019: approximately HK\$522,000); and
- (b) corporate guarantees from the Company and certain of its subsidiaries.

23. CAPITAL COMMITMENTS

At 30 September 2019, the Group has no material capital commitments.

24. RELATED-PARTY TRANSACTIONS

- (a) Compensation of key management personnel

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	452	3,924

- (b) Financing arrangements

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Amounts due to a shareholder	105,959	95,971
Amounts due to a related company	71,455	69,666

25. EVENTS AFTER THE REPORTING PERIOD

A subsidiary of the Group entered into an agreement on 30 October 2019 to acquire the entire equity interest of an independent third party company which was incorporated in the PRC at a consideration of RMB3,000,000 (approximately HK\$3,294,000).

The principal activity of the newly acquired subsidiary is distribution of branded apparel.