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**STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED**  
**國能集團國際資產控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 918)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of State Energy Group International Assets Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the previous year prepared in accordance with the generally accepted accounting principles in Hong Kong as follows:

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

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Turnover	4	<b>276,890</b>	210,179
Cost of sales		<b>(230,439)</b>	(173,997)
Gross profit		<b>46,451</b>	36,182
Other net gain	5	<b>646</b>	291
Other income	5	<b>3,473</b>	1,331
Selling and distribution expenses		<b>(5,784)</b>	(4,909)
Administrative expenses		<b>(19,944)</b>	(17,716)
Impairment losses under expected credit loss model, net of reversal		<b>(2,886)</b>	(252)
Impairment loss on property, plant and equipment		<b>(409)</b>	—
Impairment loss on right-of-use assets		<b>(1,618)</b>	—
Fair value of (loss)/gain on investment properties	13	<b>(3,314)</b>	4,673
Fair value loss on contingent consideration payable		<b>(383)</b>	—
Finance costs	7	<b>(2,838)</b>	(7,336)
Profit before taxation	8	<b>13,394</b>	12,264
Income tax expense	9	<b>(3,144)</b>	(1,339)
Profit for the year		<b>10,250</b>	10,925
<b>Other comprehensive income/(expense) for the year</b>			
<b>Items that may be reclassified subsequently to profit</b>			
<b>or loss:</b>			
Exchange differences arising on translation of foreign operations		<b>591</b>	(91)
Release of translation reserve upon disposal of foreign operations		—	(393)
<b>Items that will not be reclassified to profit or loss:</b>			
Gain/(loss) on revaluation of land and building held for own use		<b>1,303</b>	(1,785)
Total comprehensive income for the year		<b>12,144</b>	8,656

	<b>2021</b>	2020
<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>Profit for the year attributable to:</b>		
Owners of the Company	<b>7,614</b>	9,376
Non-controlling interests	<b>2,636</b>	1,549
	<u><b>10,250</b></u>	<u>10,925</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>9,234</b>	7,144
Non-controlling interests	<b>2,910</b>	1,512
	<u><b>12,144</b></u>	<u>8,656</u>
<b>Earnings per share</b>		
– basic (HK cents)	<i>11(a)</i> <u><b>0.95</b></u>	<u>1.21</u>
– diluted (HK cents)	<i>11(b)</i> <u><b>0.95</b></u>	<u>1.21</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2021*

	<i>Notes</i>	2021 <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	<i>12</i>	<b>36,887</b>	37,755
Right-of-use assets		<b>650</b>	4,083
Investment properties	<i>13</i>	<b>118,471</b>	121,785
Rental deposit		<b>680</b>	680
		<u><b>156,688</b></u>	<u>164,303</u>
<b>Current assets</b>			
Inventories		<b>27,328</b>	21,546
Trade and other receivables	<i>14</i>	<b>172,693</b>	112,407
Bank balances and cash		<b>7,609</b>	12,272
		<u><b>207,630</b></u>	<u>146,225</u>
<b>Total assets</b>		<u><b>364,318</b></u>	<u>310,528</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>73,934</b>	45,741
Contract liabilities		<b>4,825</b>	766
Amount due to a shareholder	<i>16</i>	<b>156,627</b>	147,673
Amount due to a related company	<i>17</i>	<b>—</b>	72,800
Lease liabilities		<b>1,953</b>	1,842
Tax payable		<b>5,332</b>	1,922
		<u><b>242,671</b></u>	<u>270,744</u>
<b>Net current liabilities</b>		<u><b>(35,041)</b></u>	<u>(124,519)</u>
<b>Total assets less current liabilities</b>		<u><b>121,647</b></u>	<u>39,784</u>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities		413	2,366
Contingent consideration payable		547	—
Rental deposit received		771	489
Deferred tax liabilities		3,654	3,961
		<u>5,385</u>	<u>6,816</u>
<b>Net assets</b>		<u>116,262</u>	<u>32,968</u>
<b>EQUITY</b>			
Share capital		95,631	77,540
Reserves		20,631	(46,088)
<b>Equity attributable to owners of the Company</b>		<u>116,262</u>	<u>31,452</u>
Non-controlling interests		—	1,516
<b>Total equity</b>		<u>116,262</u>	<u>32,968</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares (the “**Share**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Always Profit Development Limited, a company incorporated in British Virgin Islands. Its ultimate controlling party is Mr. Zhang Jinbing, who is also the Chairman and Executive Director of the Company. The address of its principal place of business is Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “**Group**”) are sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment and provision of marketing services.

These consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19 Related Rent Concessions.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material**

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

## **2.2 Impacts on application of Amendments to HKFRS 3 Definition of a Business**

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

### **2.3 Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform**

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group.

### **2.4 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions**

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 April 2021.



***New and amendments to HKFRSs in issue but not yet effective***

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKFRS 3 Reference to the Conceptual Framework***

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### ***Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2***

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

***Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 March 2021.

#### ***Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use***

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### ***Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## ***Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020***

The annual improvements make amendments to the following standards.

### ***HKFRS 9 Financial Instruments***

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

### ***HKFRS 16 Leases***

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

### ***HKAS 41 Agriculture***

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## **3. BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Group had net operating cash outflow of approximately HK\$17,625,000 for the year ended 31 March 2021 and had net current liabilities of approximately HK\$35,041,000 as at 31 March 2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

- (1) the Group is expected to generate positive cash flows from its future operations;
- (2) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flows from its operations in future; and
- (3) The immediate holding company and the ultimate controlling party have agreed to provide continuing financial supports, if necessary, to the Group to meet its obligations as and when they fall due.
- (4) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue and placing of new shares.

Based on the Group's cash flow projections, taking into account of effectiveness and feasibility of the above measures covering a period of twelve month from the end of the reporting period prepared by the management, the directors of the Company consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the forecast period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis for accounting in preparing the consolidated financial statements.

#### 4. TURNOVER AND SEGMENT INFORMATION

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

##### (i) Analysis of revenue

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15 – at point in time basis</b>		
Export sales of garment and sportswear products	103,483	73,767
Local sales of garment and sportswear products	113,969	120,472
Marketing services income	55,370	12,042
	<u>272,822</u>	<u>206,281</u>
<b>Revenue from other sources</b>		
Rental income	4,068	3,898
	<u>276,890</u>	<u>210,179</u>

##### (ii) Performance obligations for contracts with customers

Revenue from export sales and local sales of garment and sportswear products is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Marketing services income are recognised at the point in time when the related services are taken place.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for export and local sales of garment and sportswear products, and marketing service income such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts for export sales and local sales of garment and sportswear products, and marketing service income that had an original expected duration of one year or less.

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

- i) Garment business - Sales of garments to both local and overseas customers

The Group satisfies its performance obligation upon delivery of the goods sold to the customers;

- ii) Property investment - Investing and letting of properties; and

- iii) Marketing services – Provision of marketing services.

The Group organises marketing and promotional events. The Group satisfies its performance obligations upon completion of the events. In addition, the Group also provides promotional services for the advertised products specified by the customers in a wide range of online channels. The Group satisfies its obligations upon releases of the promotional products to the online channels.

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

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, inventories, trade receivables, rental deposits, prepayments and other receivables. They exclude cash and cash equivalents and assets used for corporate functions.

Segment liabilities consist primarily of trade and bills payables, other payables and accrued charges, contract liabilities, rental deposit received and lease liabilities. They excluded liabilities which are used for corporate functions including tax payable, contingent consideration payable, amount due to a shareholder and amounts due to a related company.



**PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS**

	2021			
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	Total HK\$'000
Turnover	<u>217,452</u>	<u>4,068</u>	<u>55,370</u>	<u>276,890</u>
Segment operating profit	<u>10,256</u>	<u>976</u>	<u>11,365</u>	22,597
Unallocated corporate income				2,130
Unallocated corporate expenses				(8,365)
Fair value loss on contingent consideration payable				(383)
Gain on disposal of subsidiaries				<u>253</u>
Operating profit				16,232
Finance costs				<u>(2,838)</u>
Profit before taxation				13,394
Income tax expense				<u>(3,144)</u>
Profit for the year				<u>10,250</u>
Segment assets	218,171	119,823	24,774	362,768
Unallocated assets				<u>1,550</u>
Total assets				<u>364,318</u>
Segment liabilities	71,806	771	7,696	80,273
Unallocated liabilities				1,623
Tax payable				5,332
Amount due to a shareholder				156,627
Contingent consideration payable				547
Deferred tax liabilities				<u>3,654</u>
Total liabilities				<u>248,056</u>

	<b>2021</b>				
	<b>Garment business</b>	<b>Property investment</b>	<b>Marketing service</b>	<b>Corporate</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property, plant and equipment	<b>1,734</b>	—	—	<b>28</b>	<b>1,762</b>
Depreciation of right-of-use assets	<b>1,815</b>	—	—	—	<b>1,815</b>
Fair value loss on investment properties	—	<b>3,314</b>	—	—	<b>3,314</b>
Changes in fair value on contingent consideration payable	—	—	—	<b>383</b>	<b>383</b>
Gain on disposal of subsidiaries	—	—	—	<b>(253)</b>	<b>(253)</b>
Impairment loss on property, plant and equipment	<b>409</b>	—	—	—	<b>409</b>
Impairment loss on right-of-use assets	<b>1,618</b>	—	—	—	<b>1,618</b>
Loss allowance on trade and other receivables	<b>2,532</b>	—	<b>354</b>	—	<b>2,886</b>

	2020			
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	Total HK\$'000
Turnover	<u>194,239</u>	<u>3,898</u>	<u>12,042</u>	<u>210,179</u>
Segment operating profit	<u>13,498</u>	<u>8,138</u>	<u>4,785</u>	26,421
Unallocated corporate income				742
Unallocated corporate expenses				(8,264)
Plant and equipment written off				(420)
Gain on disposal of subsidiaries				<u>1,121</u>
Operating profit				19,600
Finance costs				<u>(7,336)</u>
Profit before taxation				12,264
Income tax expense				<u>(1,339)</u>
Profit for the year				<u>10,925</u>
Segment assets	157,549	122,907	12,538	292,994
Unallocated assets				<u>17,534</u>
Total assets				<u>310,528</u>
Segment liabilities	41,038	489	7,674	49,201
Unallocated liabilities				2,003
Tax payable				1,922
Amount due to a shareholder				147,673
Amount due to a related company				72,800
Deferred tax liabilities				<u>3,961</u>
Total liabilities				<u>277,560</u>

	2020				Total
	Garment business HK\$'000	Property investment HK\$'000	Marketing service HK\$'000	Corporate HK\$'000	HK\$'000
Additions to non-current assets	1,361	—	—	—	1,361
Depreciation of property, plant and equipment	1,105	233	—	93	1,431
Depreciation of right-of-use assets	1,361	—	—	—	1,361
Fair value gain on investment properties	—	(4,673)	—	—	(4,673)
Gain on disposal of subsidiaries	—	—	—	(1,121)	(1,121)
Plant and equipment written off	—	—	—	420	420
Loss allowance on trade and other receivables	123	—	89	40	252

## SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	2021	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	103,483	—
Hong Kong	75,291	117,637
PRC	98,116	38,371
	<u>276,890</u>	<u>156,008</u>

	2020	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	72,152	—
Hong Kong	124,242	120,838
PRC	13,785	42,785
	<u>210,179</u>	<u>163,623</u>

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

## INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group from the garment business (2020: Garment business) is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A <sup>1</sup>	78,245	N/A
Customer B <sup>2</sup>	N/A	66,019
Customer C <sup>2</sup>	N/A	22,948

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total sales of the Group for the year ended 31 March 2020.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total sales of the Group for the year ended 31 March 2021.

## 5. OTHER INCOME/OTHER GAINS/(LOSSES), NET

	2021 HK\$'000	2020 HK\$'000
<b>Other net gain/(loss)</b>		
Gain on disposal of subsidiaries (note 6)	253	1,121
Plant and equipment written off	—	(420)
Net exchange gain/(loss)	393	(410)
	<u>646</u>	<u>291</u>
<b>Other income</b>		
Interest income	1	25
Commission income	1,285	870
Government grants (Note)	1,605	—
Sundry income	582	436
	<u>3,473</u>	<u>1,331</u>

Note:

During the current year, the Group recognised government grants of approximately HK\$1,525,000 in respect of COVID-19-related subsidies which were granted to the Group under the Employment Support Scheme provided by the Hong Kong government.

## 6. GAIN ON DISPOSAL OF SUBSIDIARIES

### (A) Disposal of subsidiaries during the year ended 31 March 2021

- (a) In August 2020, the Company entered into an agreement for the disposal of the subsidiary, Union Beauty Limited (“**Union Beauty**”) for consideration of HK\$10,000. Completion of the disposal was taken place on 10 August 2020.

Union Beauty holds 100% equity interests in Liande Zhihui Technology Limited (“**聯德智慧科技有限公司**”), which was disposed upon the completion of disposal of Union Beauty on 10 August 2020.

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

	<b>2021</b>
	<b>HK\$'000</b>
Other receivables and deposits paid	<b>9,949</b>
Bank balances and cash	<b>353</b>
Other payables and deposits received	<b>(488)</b>
Amount due to a shareholder	<b>(10,041)</b>
	<hr/>
Net liabilities disposed of	<b>(227)</b>
Gain on disposal of subsidiaries	<b>237</b>
	<hr/>
Total consideration	<b>10</b>
	<hr/> <hr/>
Net cash flow arising on disposal:	
Bank balances and cash received	<b>10</b>
Bank balances and cash disposed of	<b>(353)</b>
	<hr/>
	<b>(343)</b>
	<hr/> <hr/>

**(A) Disposal of subsidiaries during the year ended 31 March 2021**

- (b) In November 2020, the Company entered into an agreement with Mr. Zhang Jinbing for the disposal of the subsidiary, Sunwise Illusion Limited (“Sunwise”) for consideration of HK\$143,000. Completion of the disposal was taken place on 19 November 2020.

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

	<b>2021</b>
	<b>HK\$'000</b>
Inventories	<b>254</b>
Trade receivables	<b>1</b>
Bank balances and cash	<b>13</b>
Other payables and accruals	<b>(141)</b>
	<hr/>
Net assets disposed of	<b>127</b>
Gain on disposal of subsidiary	<b>16</b>
	<hr/>
Total consideration	<b>143</b>
	<hr/> <hr/>
Net cash flow arising on disposal:	
Bank balances and cash received	<b>143</b>
Bank balances and cash disposed of	<b>(13)</b>
	<hr/>
	<b>130</b>
	<hr/> <hr/>

The subsidiaries disposed of during the year ended 31 March 2021 did not contribute significantly to the results and cash flows of the Group during the year ended 31 March 2021 prior to the disposal.

**(B) Disposal of subsidiaries during the year ended 31 March 2020**

In November 2018, the Group entered into an agreement with an independent third party to dispose the entire equity interest in a subsidiary, Takson Logistics Limited (“TCL”), at a consideration of approximately RMB7,408,000 (approximately HK\$8,423,000). Completion of the disposal was taken place on 16 May 2019.

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

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

	2020 HK\$'000
Property, plant and equipment	1,251
Other receivables	425
Cash and cash equivalents	12,663
Other payables	(348)
	<u>13,991</u>
Release of translation reserve upon disposal of subsidiaries	(393)
Release of non-controlling interests upon disposal of subsidiaries	(6,296)
Gain on disposal	1,121
	<u>8,423</u>
Net cash outflow arising on disposal:	
Cash consideration received	8,423
Less: Cash and cash equivalents disposed of	(12,663)
	<u>(4,240)</u>

The subsidiaries disposed of during the year ended 31 March 2020 did not contribute significantly to the results and cash flows of the Group during the year ended 31 March 2020 prior to the disposal.



## 7. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans and overdrafts	1,008	733
Interest on lease liabilities	198	217
Interest on loans from a shareholder	—	3,252
Interest on loans from a related company (Note)	1,632	3,134
	<u>2,838</u>	<u>7,336</u>

Note: On 6 November 2018, the amounts of approximately HK\$125,087,000 and its related interests payable due to the Company's then immediate holding company, State Energy HK Limited ("State Energy HK") was assigned to a related company of the Group by a court order.

The interest expense was accrued in accordance with the loan agreements carrying contracted interest rates from nil to 4.25% signed with State Energy HK and the effective interest rates were ranged from 4.25% to 5.75% during the years ended 31 March 2021 and 2020.

## 8. PROFIT BEFORE TAXATION

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

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	188,349	167,799
Auditor's remuneration	580	710
Depreciation – property, plant and equipment	1,762	1,431
Depreciation – right-of-use assets	1,815	1,361
Legal and professional fees	4,033	1,780
Plant and equipment written off	—	420
Net exchange (gain)/loss	(393)	410
Rental receivables from investment properties less direct outgoings	(4,068)	(3,708)
Staff costs, including directors' emoluments		
—Salaries, bonus and allowance	11,293	10,137
—Retirement benefits scheme contributions	396	343
	<u>11,689</u>	<u>10,480</u>

## 9. INCOME TAX

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong	<b>508</b>	624
PRC Enterprise Income tax (the "EIT")	<b>2,943</b>	1,112
	<b>3,451</b>	1,736
Deferred tax		
Current year	<b>(307)</b>	(397)
	<b>3,144</b>	1,339

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%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

## **10. DIVIDENDS**

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

## **11. EARNINGS PER SHARE**

### **(a) Basic earnings per share**

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK\$7,614,000 (2020: HK\$9,376,000) and the weighted average number of ordinary shares in issue during the year of 801,534,000 shares (2020: 775,406,000 shares).

### **(b) Diluted earnings per share**

There was no dilutive potential ordinary shares outstanding during the year as the Company did not have potential ordinary shares outstanding during the years ended 31 March 2021 and 2020. Accordingly, the diluted earnings per share is same as basic earnings per share for both years.

## **12. PROPERTY, PLANT AND EQUIPMENT**

During the year ended 31 March 2021, the Group acquired property, plant and equipment amounting to approximately HK\$Nil (2020: approximately HK\$1,361,000).

### 13. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	121,785	156,212
Transferred to land and building	—	(39,100)
Changes in fair value included in profit or loss	(3,314)	4,673
	<hr/>	<hr/>
At the end of the year	<u>118,471</u>	<u>121,785</u>

### 14. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	158,369	87,829
Less: Allowance for credit losses	(3,503)	(613)
	<hr/>	<hr/>
Trade receivables, net	154,866	87,216
	<hr/>	<hr/>
Trade deposits (Note)	15,953	7,365
Other receivables, net (Note)	1,332	17,495
Prepayments	278	216
Rental, utility and sundry deposits	264	115
	<hr/>	<hr/>
	17,827	25,191
	<hr/>	<hr/>
Total	<u>172,693</u>	<u>112,407</u>

Note: As at 31 March 2021, included in trade deposit of approximately HK\$Nil (2020: HK\$5,648,000) and other receivables of approximately HK\$444,000 (2020: HK\$17,064,000) relating to the trading of electronic parts for which the Group is considered as an agent to arrange the trades.

As at 31 March 2021, included in trade deposit of approximately HK\$14,093,000 (2020: HK\$Nil) is deposit for marketing service.

## Ageing analysis

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

	2021 HK\$'000	2020 HK\$'000
Within 1 month	15,823	32,693
1 to 3 months	34,160	25,070
3 to 6 months	68,053	29,453
Over 6 months	36,830	—
	<u>154,866</u>	<u>87,216</u>

The trade receivables were denominated in US\$, HK\$ and RMB.

The majority of the Group's sales to overseas customers are generally on open account of 120 days (2020: 120 days) from the date of invoice. The credit period granted to local customers is 90 days (2020: 90 days). The credit period granted to marketing service customers is ranging from 0 to 5 days from the date of completion and due on date of invoice.

## 15. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	60,385	26,598
Bills payables	9,698	10,404
	<u>70,083</u>	<u>37,002</u>
Trade and bills payables		37,002
Rental deposits received	—	261
Accrued expenses	3,145	3,768
Other payables	706	4,710
	<u>3,851</u>	<u>8,739</u>
Total trade and other payables	<u>73,934</u>	<u>45,741</u>

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>9,342</b>	28,766
1 to 3 months	<b>30,422</b>	8,236
3 to 6 months	<b>16,780</b>	—
Over 6 months	<b>13,539</b>	—
	<u><b>70,083</b></u>	<u>37,002</u>

All trade and bills payables were mainly denominated in HK\$, US\$ and RMB.

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (2020: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2020: 30 days). For marketing service providers, the credit period was 0 day from the date of completion or date of invoice.

#### 16. AMOUNT DUE TO A SHAREHOLDER

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Due to a shareholder		
Always Profit Development Limited	<u><b>156,627</b></u>	<u>147,673</u>

As at 1 April 2019, the amount due to a shareholder were unsecured, interest-free and had a term of 12 months from the date of drawdown. The effective interest rate was 5.88%.

On 1 October 2019, the Group entered into an agreement with the shareholder to agree to modify the repayment term of the loans as repayable on demand. As at 31 March 2021 and 2020, the balance is unsecured, interest-free and repayable on demand.

## **17. AMOUNT DUE TO A RELATED COMPANY**

As at 31 March 2020, the amount due to a related company were unsecured, bearing interest rates from nil to 4.25% and repayable on demand. Mr. Zhang Jinbing is the controlling shareholder of the related company.

## **18. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, the board of directors proposed reorganisation of the share capital of the Company involving the share consolidation, the capital reduction, the share subdivision, the reduction of share premium account and the credit transfer, and proposed right issue on the basis of three right shares for every one adjusted share to be held on a record date, details of which are set out in the Company's announcements dated 8 April 2021, 28 April 2021 and 10 May 2021.

## **SCOPE OF WORK OF KTC PARTNERS CPA LIMITED**

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2021 have been agreed by the Group's auditor, KTC Partners CPA Limited ("KTC"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2021. The work performed by KTC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KTC on the preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The section below sets out an extract of the independent auditor's report issued by KTC regarding the consolidated financial statements of the Group for the year ended 31 March 2021.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to note 3 to the financial statements which indicates that the Group had net operating cash outflow of approximately HK\$17,625,000 for the year ended 31 March 2021 and the Group had current liabilities exceeded its current assets by approximately HK\$35,041,000 as at 31 March 2021. As stated in note 3, these events or conditions, along with other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

#### Garment business

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in the PRC which are then exported to overseas market. The Group has started the export of wax print clothes to Africa, which are fabric mostly used for traditional clothing in Africa, since December 2017 (the “**Africa Business**”). During the year ended 31 March 2021, the Africa Business had continued to develop and experienced a gradual increase.

In December 2018, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong, especially licensed products under the brand of bearing the brand names “ACCAPI”, an Italian brand and distribution of sportswear products under the brand name of “Super X”, a Hong Kong brand respectively (the “**ACCAPI Business**”). During the year ended 31 March 2021, the ACCAPI Business had seen a slight drop in view of the dampered consumer sentiment in general.

#### Property investment

As at 31 March 2021, the Group held six investment properties located in the PRC and five investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the “**Investment Properties**”). As at 31 March 2021, other than one car parking space, all the remaining investment properties were fully leased out.

The value of the Investment Properties amounted to approximately HK\$118.5 million based on the independent valuation of the Investment Properties as at 31 March 2021 (31 March 2020: approximately HK\$121.8 million).

## **Marketing and promotional services**

Since 2020, leveraging on the experience of the marketing division of the Garment Business of the Group in promoting its licensed brands ACCAPI and Super X, the Group has commenced to offer marketing and promotional services (the “**Marketing and Promotional Services**”) at online and offline platforms for external customers and a related company. The Company expanded its marketing division, targeting to provide services including market analysis, planning of marketing and promotional campaigns, new product launching, product development and market positioning, setting up and management of online shops, design of advertisements and promotional materials, product packaging designs, and displays of physical and online shops, etc. The marketing division is also engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers. During the year ended 31 March 2021, with the efforts of the Group and a full financial year operation of the Marketing and Promotional Services business, the Marketing and Promotional Services had seen a rapid growth with an increase in number of external customers and enhancement of market presence.

## **FINANCIAL REVIEW**

### **Turnover**

The Group recorded a turnover of approximately HK\$276.9 million for the year ended 31 March 2021, representing a significant increase of approximately 31.7% as compared to that of approximately HK\$210.2 million for the year ended 31 March 2020.

Turnover derived from the Garment Business increased by approximately 12.0% from approximately HK\$194.2 million for the year ended 31 March 2020 to approximately HK\$217.5 million for the year ended 31 March 2021. The increase was due to the net effect of increase in the Africa Business by approximately 43.4% from approximately HK\$72.2 million for the year ended 31 March 2020 to approximately HK\$103.5 million for the year ended 31 March 2021 and drop in the ACCAPI Business by approximately 10.5% from approximately HK\$122.1 million for the year ended 31 March 2020 to approximately HK\$109.3 million for the year ended 31 March 2021.

Turnover derived from property investment slightly increased by approximately 5.1% from approximately HK\$3.9 million for the year ended 31 March 2020 to approximately HK\$4.1 million for the year ended 31 March 2021.

Turnover derived from Marketing and Promotional Services was vastly increased by approximately 359.8% from HK\$12.0 million for the year ended 31 March 2020 to HK\$55.4 million for the year ended 31 March 2021.

## **Gross profit and gross profit margin**

The Group recorded a gross profit of approximately HK\$29.1 million in respect of the Garment Business for the year ended 31 March 2021, representing an increase of approximately 10.2% as compared to approximately HK\$26.4 million for the year ended 31 March 2020. The increase was in line with the increase in revenue.

The gross profit margin of the Garment Business was approximately 13.4% for the year ended 31 March 2021 compared to approximately 13.6% for the year ended 31 March 2020.

The Group recorded a gross profit of approximately HK\$4.1 million in respect of the property investment business for the year ended 31 March 2021, representing an increase of approximately 5.1% as compared to approximately HK\$3.9 million for the year ended 31 March 2020.

The Group recorded a gross profit of approximately HK\$13.3 million in respect of the Marketing and Promotional Services for the year ended 31 March 2021 when compared to approximately HK\$5.8 million for the year ended 31 March 2020.

## **Selling, distribution and marketing expenses**

Selling, distribution and marketing expenses increased by approximately 18.4% from approximately HK\$4.9 million for the year ended 31 March 2020 to approximately HK\$5.8 million for the year ended 31 March 2021. The increase was mainly due to the increase in marketing related expenses of the Garment Business.

## **Administrative expenses**

Administrative expenses increased by approximately 9.9% from approximately HK\$18.1 million for the year ended 31 March 2020 to approximately HK\$19.9 million for the year ended 31 March 2021. The increase was mainly due to the increase in staff costs and legal and professional fee.

## **CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES**

The net loss on fair value change of investment properties of approximately HK\$3.3 million (2020: net gain of approximately HK\$4.7 million) represented fair value adjustment of the Group's properties located in Hong Kong and the PRC as at 31 March 2021.

These properties were revalued based on their open market value as at 31 March 2021 by LCH (Asia-Pacific) Surveyors, an independent qualified professional valuer.

## **FINANCE COST**

Finance cost decreased by approximately 61.6% from approximately HK\$7.3 million for the year ended 31 March 2020 to approximately HK\$2.8 million for the year ended 31 March 2021. This was mainly due to decrease in interest from amount due to a related company and bank borrowings for general working capital.

## **PROSPECTS**

During the Year, the Group has recorded a net profit attributable to the shareholders which demonstrated the Group's effort in materialising the business plan for the Garment Business. However, the global economy was severely hindered by the continuous outbreak of COVID-19 pandemic. Business activities were put to a halt or significantly slowed down globally. The Garment Business was negatively affected by the dampened consumer sentiments due to lockdowns, travel restrictions and social distancing measures. Although measures including the introduction of vaccines are implemented to combat and control the recurrences, the extent of recovery of the economy and retail market is still uncertain. Therefore, the Group will take a prudent approach to the Garment Business under this situation that the Group will regularly review the product range in order to maintain existing profit margin and to retain the current customer base.

As regards the Group's property business, the Group intends to hold the properties for rental income purpose and to monitor the performance of the property markets in Hong Kong and the PRC and consider reorganising its property portfolio should suitable opportunities arise.

Since 2020, leveraging on the experience of the marketing division of the Company in promoting its licensed brands ACCAPI and Super X, the Group continued to develop the Marketing and Promotional Services, which is a natural expansion from the Garment Business. The Group has achieved satisfactory result in this business during the year that a gross profit of approximately HK\$13.3 million was recorded. The Group will continue to strengthen the manpower for the marketing division, to build up its expertise and credentials to serve a wider range of customers and enhance market presence.

The Group will take a prudent approach to look for new business opportunities to diversify its business in order to generate better returns for the shareholders of the Company.

## **RESUMPTION**

Trading in the shares of the Company had been suspended since 1 February 2019. With the Group's management and employees' efforts, the Company had met all of the resumption conditions of the Stock Exchange and successfully resumed trading of its shares on the Stock Exchange on 7 December 2020.

## **LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO**

During the year ended 31 March 2021, 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 of approximately HK\$7.6 million as of 31 March 2021 (2020: approximately HK\$12.3 million).

### **Bank and other borrowings**

As of 31 March 2021, bank and other borrowings of the Group amounted to approximately HK\$156.6 million, which represented shareholder's loans of approximately HK\$156.6 million. All bank and other borrowings of approximately HK\$156.6 million are repayable within one year or on demand.

As of 31 March 2020, bank and other borrowings of the Group amounted to approximately HK\$220.5 million, including shareholder's loans of approximately HK\$147.7 million and loans from a related company of approximately HK\$72.8 million. All bank and other borrowings of approximately HK\$220.5 million are repayable within one year or on demand.

## **LEVERAGE**

The ratio of current assets to current liabilities of the Group was approximately 0.86 as at 31 March 2021 compared to approximately 0.54 as at 31 March 2020. The improvement in current ratio was mainly due to the decrease in amount due to a related company and increase in trade and other receivables. The Group's gearing ratio as at 31 March 2021 was approximately 134.7% (31 March 2020: approximately 668.2%), which is calculated based on the Group's bank and other borrowings of approximately HK\$156.6 million (31 March 2020: approximately HK\$220.5 million) and the Group's total equity approximately HK\$116.3 million (31 March 2020: approximately HK\$33.0 million). The decrease in gearing ratio was due to the increase in total equity.

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

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

### **Foreign currency risk**

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars, Renminbi and United States dollars ("USD"). In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and mitigating the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2021 and 2020, 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, the property investment business and the provision of marketing service business. As at 31 March 2021, trade receivables and trade and bills payables of the Group were approximately HK\$154.9 million and approximately HK\$70.1 million (31 March 2020: approximately HK\$87.2 million and approximately HK\$37.0 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

### **Liquidity risk**

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

## **TREASURY POLICIES**

As at 31 March 2021, bank and other borrowings of approximately HK\$156.6 million (31 March 2020: approximately HK\$220.5 million) were denominated in Hong Kong dollars. The Group's bank loans are subject to floating interest rates while loans from related company is subject to fixed interest rates. The loans from shareholder do not have any interest.

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

## **CHARGE OF ASSETS**

As at 31 March 2021, the Investment Properties and leasehold land and building in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$116.7 million (31 March 2020: approximately HK\$115.5 million) were pledged as first legal charges for the Group's banking facilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

## **SIGNIFICANT INVESTMENT**

The Group had no significant investment during the year ended 31 March 2021.

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

Except for (i) the completion of disposal of subsidiaries as set out in note 6(A) to the consolidated financial statements; (ii) and the acquisition of remaining 40% issued share capital of GBR (HK) Limited (a 60%-owned subsidiary of the Company immediately prior to completion of such acquisition) (details of the acquisition is disclosed in the union cements of the Company dated 18 January 2021 and 5 March 2021 and the circular of the Company dated 8 February 2021), the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2021.

## **OPERATING SEGMENT INFORMATION**

Details of the operating segment information of the Group in the year ended 31 March 2021 are set out in note 4 to the consolidated financial statements attached to this annual results announcement.

## **CAPITAL COMMITMENTS**

The Group did not have any material capital commitment as at 31 March 2021.

## **CONTINGENT LIABILITIES AND LITIGATION**

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2021, the utilised facilities amounted to approximately HK\$9.7 million (31 March 2020: approximately HK\$10.4 million).

Except for the foregoing, as at 31 March 2021, the Group had no other significant contingent liabilities or pending litigation.

## **SUBSEQUENT EVENTS**

As at 31 March 2021, details of the subsequent events of the Group are set out in note 18 to the consolidated financial statements attached to this annual results announcement.

## **STAFF AND REMUNERATION POLICIES**

As of 31 March 2021, the Group had a total of 44 employees (31 March 2020: 45 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2021 amounted to approximately HK\$11.7 million (31 March 2020: approximately HK\$10.5 million). Primary means of remuneration include competitive wages, contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2021, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.



## **AUDIT COMMITTEE**

The principal responsibilities of the audit committee of the Company (the “**Audit Committee**”) include reviewing and supervising of the Group’s financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2021 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.

## **REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT**

The annual results announcement has been reviewed by the Audit Committee.

## **CORPORATE GOVERNANCE CODE**

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

The Company has applied the principles and complied with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the year ended 31 March 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2021, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2021.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement has been published on the website of the Stock Exchange, www.hkexnews.hk, and the website of the Company, www.seiah.com. The annual report for the year ended 31 March 2021 will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

By Order of the Board

**State Energy Group International Assets Holdings Limited**

**Zhang Jinbing**

*Chairman*

Hong Kong, 9 June 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Jinbing, Mr. Tian Wenxi and Mr. Wu Tingjun; and the independent non-executive Directors of the Company are Mr. Chow Hiu Tung, Ms. Yang Yanli and Mr. Zhao Hangen.*