**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)**

# INSIDE INFORMATION — POSITIVE PROFIT ALERT AND BUSINESS UPDATE

This announcement is made by State Energy Group International Assets Holdings Limited (the "**Company**", together with its subsidiaries as the "**Group**") pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

## POSITIVE PROFIT ALERT

After preliminary review of the unaudited consolidated financial information of the Group, the board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company (the "**Shareholders**") and the potential investors that the Group is expected to record a significant increase in net profit for the six months ended 30 September 2017 by more than 10 times as compared to approximately HK$2.2 million of the corresponding period in 2016. The Board would like to advise that the increase in net profit is mainly attributable to the recognition of the gain on fair value of two office units of the Group (the "**Properties**"), which were reclassified from leasehold land to investment properties during the relevant period. The Properties were previously used as offices of the Group and were recorded at cost less accumulated amortisation. During the six months ended 30 September 2017, the Properties were leased out for rental income, therefore the Properties were reclassified as investment properties and were measured at fair value.

The information in this announcement is only based on the information currently available to the management of the Group. The results of the Group for the six months ended 30 September 2017 have not yet been finalised nor reviewed by the Company's audit committee and auditor. The interim results of the Group for the six months ended 30 September 2017 are expected to be announced by the end of November 2017.

**BUSINESS UPDATE**

As reported in the annual report 2015/2016 and the annual report 2016/2017 of the Company, the turnover of our export of garments and sportswear business (the "**Export Business**") for the two financial years ended 31 March 2016 and 2017 amounted to approximately HK$155.5 million and approximately HK$109.0 million, respectively, representing a decrease of approximately 38.3% and approximately 29.9%, respectively, from that of the previous year. The performance of the Export Business has been weak and securing sustainably profitable sales orders is becoming more difficult that led to a decline in the turnover of the Export Business during the relevant period while the property investment business has recorded steady growth. As at the date hereof, all the investment properties of the Group have been rented out, providing steady rental income and cash flow for the Group.

Therefore, after review of the business operations of the Group, the Board is of the view that it is necessary to optimize and adjust the Export Business's strategy in order to strengthen its overall profit model. The Board intends to optimize the Export Business through its management, experience, resources and business relationship network. The Group will actively explore the Export Business in new areas and adjust the sales mix of the existing export orders.

The Board also intends to continue exploring the opportunities in the property investment business, including but not limited to high-end properties, specialized properties, new industry cities or park projects within the areas covered in the "One Belt, One Road" initiative such as the proposed acquisition of the hotel property in Prague (details of which are disclosed in the announcement of the Company dated 21 September 2017). The Company's dual-development strategy, namely optimizing the current Export Business as well as enhancing the property investment portfolio, is expected to strengthen the overall profit model of the Group and to minimize the risk of heavy reliance on one single business segment and create a balanced value return for the Shareholders. The Company will also consider to make use of property fund model to expand the Group's property asset management arm.

The Company will also evaluate potential business opportunities in the financial service sectors brought by the "One Belt One Road" initiatives of China.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board
**State Energy Group International Assets Holdings Limited**
**Lei Donghui**
*Chairman*

Hong Kong, 6 November 2017

*As at the date of this announcement, the executive Directors are Mr. Lei Donghui, Mr. Zhou Xinyu and Ms. Niu Fang; and the independent non-executive Directors are Ms. Ni Lijun, Mr. Shen Guoquan and Ms. Meng Rongfang.*