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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 2020

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 2020, 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 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Turnover	3	210,179	96,434
Cost of sales		<u>(173,997)</u>	<u>(81,459)</u>
Gross profit		36,182	14,975
Other net gain/(loss)		701	(697)
Other income		1,331	434
Selling, distribution and marketing expenses		(4,909)	(3,023)
Administrative expenses		(18,126)	(32,961)
Loss allowance on trade and other receivables		(252)	(401)
Changes in fair value of investment properties		<u>4,673</u>	<u>105</u>
Operating profit/(loss)		19,600	(21,568)
Finance costs	5	<u>(7,336)</u>	<u>(7,778)</u>
Profit/(loss) before taxation	6	12,264	(29,346)
Income tax expense	7	<u>(1,339)</u>	<u>(725)</u>
Profit/(loss) for the year		10,925	(30,071)
Other comprehensive (expense)/income for the year (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(91)	(1,328)
Release of translation reserve upon disposal of subsidiaries		(393)	1,011
Loss on revaluation of land and building held for own use		<u>(1,785)</u>	<u>—</u>
Total comprehensive income/(expense) for the year		<u><u>8,656</u></u>	<u><u>(30,388)</u></u>
Profit/(loss) for the year attributable to:			
Equity holders of the Company		9,376	(28,249)
Non-controlling interests		<u>1,549</u>	<u>(1,822)</u>
		<u><u>10,925</u></u>	<u><u>(30,071)</u></u>
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company		7,144	(28,004)
Non-controlling interests		<u>1,512</u>	<u>(2,384)</u>
		<u><u>8,656</u></u>	<u><u>(30,388)</u></u>
Earnings/(loss) per share attributable to equity holders of the Company			
– basic (HK cents)	9	<u>1.21</u>	<u>(3.64)</u>
– diluted (HK cents)	9	<u>1.21</u>	<u>(3.64)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	37,755	1,405
Right-of-use assets	<i>10</i>	4,083	—
Investment properties	<i>11</i>	121,785	156,212
Rental deposit		680	—
		<hr/> 164,303 <hr/>	<hr/> 157,617 <hr/>
Current assets			
Inventories		21,546	16,001
Trade and other receivables	<i>12</i>	112,407	46,764
Pledged bank deposit		—	522
Cash and cash equivalents		12,272	4,543
		<hr/> 146,225 <hr/>	<hr/> 67,830 <hr/>
Assets classified as held for sale		<hr/> — <hr/>	<hr/> 14,339 <hr/>
		<hr/> 146,225 <hr/>	<hr/> 82,169 <hr/>
Total assets		<hr/> 310,528 <hr/>	<hr/> 239,786 <hr/>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		77,540	77,540
Reserves		(46,088)	(54,628)
		<hr/> 31,452 <hr/>	<hr/> 22,912 <hr/>
Non-controlling interests		<hr/> 1,516 <hr/>	<hr/> 6,296 <hr/>
Total equity		<hr/> 32,968 <hr/>	<hr/> 29,208 <hr/>

		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities – non-current		2,366	—
Rental deposit received		489	—
Deferred tax liabilities		3,961	4,358
		<u>6,816</u>	<u>4,358</u>
Current liabilities			
Trade and other payables	13	45,741	7,049
Contract liabilities		766	—
Bank borrowings		—	32,972
Amounts due to a shareholder	14	147,673	95,971
Amounts due to a related company	15	72,800	69,666
Lease liabilities		1,842	—
Tax payable		1,922	214
		<u>270,744</u>	<u>205,872</u>
Liabilities directly associated with assets classified as held for sale		—	348
		<u>270,744</u>	<u>206,220</u>
Total liabilities		<u>277,560</u>	<u>210,578</u>
Total equity and liabilities		<u>310,528</u>	<u>239,786</u>
Net current liabilities		<u>(124,519)</u>	<u>(124,051)</u>
Total assets less current liabilities		<u>39,784</u>	<u>33,566</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

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 principal place of business is Unit 13, 5/F, Tower 1, South Wing Harbour Centre, 1 Hok Cheung Street, Hunghom, Kowloon.

During the year ended 31 March 2020, the Group was principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment and provision of marketing services.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (which include Hong Kong Accounting Standards (“**HKASs**”) and Interpretations), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The Group incurred a net operating cash outflow approximately HK\$15,193,000 for the year ended 31 March 2020 and had net current liabilities of approximately HK\$124,519,000 as at 31 March 2020. 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.

The Directors have given careful consideration to the Group’s financial performance and liquidity position. On the basis that the Group’s operating results and cash flows will be improved through the implementation of the measures described above and having considered the Group’s current operation and business plan as well as the currently available banking facilities, the Directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due in the foreseeable future. Besides, 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. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(A) OVERVIEW

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s 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 Improvements 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 years and on the disclosures set out in these consolidated financial statements.

(B) HKFRS 16, LEASES

The Group has applied HKFRS 16 for the first time in the year ended 31 March 2020. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

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 this standard 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 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

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.

The Group did not recognise lease liabilities and right-of-use assets as at 1 April 2019.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	2,602
Less: Recognition exemption – short-term leases	<u>(2,602)</u>
Lease liabilities as at 1 April 2019	<u><u>—</u></u>

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.

Effective on 1 April 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) to allocate consideration in the contract to each lease and non-lease components.

(C) NEW AND AMENDED HKFRSS ISSUED BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

1. *Effective for annual periods beginning on or after 1 January 2020.*
2. *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*
3. *Effective for annual periods beginning on or after 1 January 2021.*
4. *Effective for annual periods beginning on or after a date to be determined.*

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 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:

	2020 HK\$'000	2019 HK\$'000
Turnover		
Revenue from contracts with customers		
– at point in time		
Export sales	73,767	57,260
Local sales	120,472	33,503
Marketing services income	12,042	—
Revenue from other sources		
Rental income	3,898	5,671
	<u>210,179</u>	<u>96,434</u>
Net other gain/(loss)		
Gain/(loss) on disposal of subsidiaries (note 4)	1,121	(1,011)
Gain on disposal of plant and equipment	—	332
Plant and equipment written off	(420)	(18)
	<u>701</u>	<u>(697)</u>
Other income		
Interest income	25	323
Commission income	870	—
Sundry income	436	111
	<u>1,331</u>	<u>434</u>

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

- iii) Marketing services income – 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 and other receivables. They exclude certain pledged bank deposit, cash and cash equivalents, assets used for corporate functions and assets classified as held for sale.

Segment liabilities consist primarily of trade and other payables, contract liabilities and lease liabilities. They excluded liabilities which are used for corporate functions including tax payable, certain bank borrowings, amounts due to a shareholder, amounts due to a related company and liabilities directly associated with assets classified as held for sale.

Primary Reporting Format – Business Segments

	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
Amounts due to a shareholder				147,673
Amounts due to a related company				72,800
Deferred tax liabilities				<u>3,961</u>
Total liabilities				<u>277,560</u>

	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	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
Changes in fair value change of 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

		2019	
	Garment business HK\$'000	Property investment HK\$'000	Total HK\$'000
Turnover	<u>90,763</u>	<u>5,671</u>	<u>96,434</u>
Segment operating profit	<u>3,009</u>	<u>5,058</u>	8,067
Unallocated corporate income			438
Unallocated corporate expenses			(29,044)
Plant and equipment written off			(18)
Loss on disposal of subsidiaries			<u>(1,011)</u>
Operating loss			(21,568)
Finance costs			<u>(7,778)</u>
Loss before taxation			(29,346)
Income tax expense			<u>(725)</u>
Loss for the year			<u><u>(30,071)</u></u>
Segment assets	57,620	156,700	214,320
Unallocated assets			11,127
Asset classified as held for sale			<u>14,339</u>
Total assets			<u><u>239,786</u></u>
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			<u>4,358</u>
Total liabilities			<u><u>210,578</u></u>

	Garment business HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	—	—	449	449
Depreciation of property, plant and equipment	121	—	692	813
Changes in fair value change of investment properties	—	105	—	105
Gain on disposal of plant and equipment	(310)	—	(22)	(332)
Loss on disposal of subsidiaries	—	—	1,011	1,011
Plant and equipment written off	—	—	18	18
Loss allowance on trade receivables	401	—	—	401
	<u>401</u>	<u>—</u>	<u>—</u>	<u>401</u>

Secondary Reporting Format – Geographical Segments

	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>
	2019	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	52,879	—
Australia	4,381	—
Hong Kong	37,012	115,405
PRC	2,162	42,212
	<u>96,434</u>	<u>157,617</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 (2019: Garment business) is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	66,019	52,879
Customer B	22,948	15,968
Customer C ¹	N/A	15,076
	<u> </u>	<u> </u>

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

4 GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

(A) 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. (“Jiangsu Youyi”), 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
Plant and equipment	1,251
Other receivables	425
Bank balances and cash	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.

(B) Disposal of subsidiaries during the year ended 31 March 2019

During the year ended 31 March 2019, State Energy Capital Limited, Global Sportswear Inc., State Energy Finance Limited, State Energy Properties Investment (Europe) Holdings Limited, Takson Sourcing Limited, Takson Warehouse Limited, in which the Group had effective interest of 100%, were disposed of. The total consideration was HK\$6.

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

	2019
	HK\$'000
Cash and cash equivalents	114
Other receivables	58
Other payables	(172)
	<hr/>
	<hr/>
Release of translation reserve upon disposal of subsidiaries	1,011
Loss on disposal	(1,011)
	<hr/>
Consideration satisfied by cash	<hr/>
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration received	<hr/>
Less: Cash and cash equivalents disposed of	(114)
	<hr/>
	(114)
	<hr/>

The subsidiaries disposed of during the year ended 31 March 2019 did not contribute significantly to the results and cash flows of the Group during the year ended 31 March 2019 prior to the disposal.

5. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans and overdrafts	733	1,510
Interest element of finance lease obligations	—	7
Interest on lease liabilities	217	—
Interest on loans from a shareholder	3,252	764
Interest on loans from a related company	3,134	5,379
Interest on other loan	—	118
	<u>7,336</u>	<u>7,778</u>

6. PROFIT/(LOSS) BEFORE TAXATION

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

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold	167,799	81,459
Auditor's remuneration	710	630
Depreciation – property, plant and equipment	1,431	813
Depreciation – right-of-use asset	1,361	—
Loss allowance on trade and other receivables	252	401
Changes in fair value of investment properties	(4,673)	(105)
Legal and professional fees	1,780	8,182
Plant and equipment written off	420	18
Net exchange loss	410	361
Minimum lease payments for leases previously classified as operating leases under HKAS 17 in respect of land and buildings	—	3,725
Rental receivables from investment properties less direct outgoings	(3,708)	(5,453)
Staff costs, including directors' emoluments	10,480	16,295
Gain on disposal of plant and equipment	—	(332)
(Gain)/loss on disposal of subsidiaries	<u>(1,121)</u>	<u>1,011</u>

7. INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong	624	214
PRC Enterprise Income tax (the “EIT”)	1,112	—
	<u>1,736</u>	<u>214</u>
Deferred tax		
Current year	(397)	511
	<u>1,339</u>	<u>725</u>

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%.

Accordingly, during the years ended 31 March 2020 and 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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%.

8. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

9. EARNINGS/(LOSS) PER SHARE

	2020	2019
Profit/(Loss) attributable to equity holders of the Company <i>(HK\$'000)</i>	<u>9,376</u>	<u>(28,249)</u>
Weighted average number of ordinary shares in issue for the purpose of basic earnings/(loss) per share <i>(thousands)</i>	<u>775,406</u>	<u>775,406</u>
Basic earnings/(loss) per share <i>(HK cents)</i>	<u>1.21</u>	<u>(3.64)</u>
Diluted earnings/(loss) per share <i>(HK cents)</i>	<u>1.21</u>	<u>(3.64)</u>

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

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the year ended 31 March 2020, the Group acquired property, plant and equipment amounting to approximately HK\$1,361,000 (2019: approximately HK\$449,000).

During the year, the Group entered into a new lease arrangement for the use of rental store for three years. The Group is required to make fixed monthly payments during the contact period. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

11. INVESTMENT PROPERTIES

	2020	2019
	HK\$'000	HK\$'000
At the beginning of the year	156,212	156,107
Transfer to land and building	(39,100)	—
Changes in fair value included in profit or loss	<u>4,673</u>	<u>105</u>
At the end of the year	<u>121,785</u>	<u>156,212</u>

12. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	87,829	39,844
Less: Loss allowance	(613)	(401)
Trade receivables, net	<u>87,216</u>	<u>39,443</u>
Trade deposits and other receivables, net	24,860	4,762
Prepayments	216	344
Rental, utility and sundry deposits	115	2,215
	<u>25,191</u>	<u>7,321</u>
Total	<u><u>112,407</u></u>	<u><u>46,764</u></u>

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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	32,693	12,453
1 to 3 months	25,070	25,335
3 to 6 months	29,453	1,655
	<u>87,216</u>	<u>39,443</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 (2019: 90 to 120 days) from the date of bill of lading. The credit period granted to local customers is 90 days (2019: 45 to 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.

13. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	26,598	1,828
Bills payables	10,404	—
	<u>37,002</u>	<u>1,828</u>
Trade and bills payables	37,002	1,828
Rental deposits received	261	959
Accrued expenses	3,768	1,902
Other payables	4,710	2,360
	<u>8,739</u>	<u>5,221</u>
Total Trade and other payables	<u>45,741</u>	<u>7,049</u>

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

	2020 HK\$'000	2019 HK\$'000
Within 1 month	28,766	1,828
1 to 3 months	8,236	—
	<u>37,002</u>	<u>1,828</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 (2019: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2019: 30 days). For marketing service providers, the credit period was 0 day from the date of completion or date of invoice.

14. AMOUNTS DUE TO A SHAREHOLDER

	2020 HK\$'000	2019 HK\$'000
Loans from a shareholder	147,673	95,971
Amount repayable on demand/repayable within one year included under current liabilities	<u>(147,673)</u>	<u>(95,971)</u>
Amount repayable after one year	<u>—</u>	<u>—</u>

As at 31 March 2019, the amounts 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 2020, The balance is unsecured, interest-free and repayable on demand.

15. AMOUNTS DUE TO A RELATED COMPANY

	2020 HK\$'000	2019 HK\$'000
Loans from a related company	72,800	69,666
Amount repayable on demand/repayable within one year included under current liabilities	<u>(72,800)</u>	<u>(69,666)</u>
Amount repayable after one year	<u>—</u>	<u>—</u>

As at 31 March 2019 and 2020, the amounts due to a related companies were unsecured, interest-free and repayable on demand. On 6 November 2018, the amounts due to a former immediate holding company, State Energy HK Limited (“**State Energy HK**”), was required to be paid to a related company of the Group by a court order. As a result, approximately HK\$125,087,000 of amounts due to State Energy HK was transferred to amounts due to a related company.

16. EVENTS AFTER THE REPORTING PERIOD

Outbreak of Coronavirus Disease 2019

After the outbreak of coronavirus (“**COVID-19**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group’s financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

17. COMPARATIVES FIGURES

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

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

Cheng & Cheng Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor’s report regarding the consolidated financial statements of the Group for the year ended 31 March 2020.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

It is stated in note 2.1 to the consolidated financial statements which indicates that the Group had net operating cash outflow of approximately HK\$15,193,000 for the year ended 31 March 2020 and the Group had current liabilities exceeded its current assets by approximately HK\$124,519,000 as at 31 March 2020. As stated in note 2 to this results announcement, these events or conditions, along with other matters as set forth in note 2 to this results announcement, 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.

BUSINESS OVERVIEW

Garment business

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in China which are then exported to overseas market. The Group has started export of wax print clothes, which are fabric mostly used for traditional clothing in Africa, to Africa since December 2017 (the “**Africa Business**”).

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 and the PRC for licensed products under the brand name “ACCAPI”, which is an Italian brand, and distribution of Sportswear products under the brand name of “Super X”, a Hong Kong brand respectively (the “**ACCAPI Business**”).

Property investment

As at 31 March 2020, 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 2020, all investment properties were fully leased out.

The value of the Investment Properties amounted to approximately HK\$121.8 million based on the independent valuation of the Investment Properties as at 31 March 2020 (31 March 2019: approximately HK\$156.2 million).

Marketing and Promotional Services

In 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 in 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, set 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.

FINANCIAL REVIEW

Turnover

The Group recorded a turnover of approximately HK\$210.2 million for the year ended 31 March 2020, representing a significant increase of approximately 118% as compared to that of approximately HK\$96.4 million for the year ended 31 March 2019.

Turnover derived from the Garment Business increased by approximately 113.9% from approximately HK\$90.8 million for the year ended 31 March 2019 to approximately HK\$194.2 million for the year ended 31 March 2020. The increase was due to the full year operation of ACCAPI Business during the year ended 31 March 2020, while there was only approximately three months operation in 2019 when it was newly introduced.

Turnover derived from property investment decreased by approximately 31.6% from approximately HK\$5.7 million for the year ended 31 March 2019 to approximately HK\$3.9 million for the year ended 31 March 2020.

Turnover derived from the newly set up Marketing and Promotional Services was in the sum of approximately HK\$12.0 million for the year ended 31 March 2020.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$26.4 million in respect of the Garment Business for the year ended 31 March 2020, representing an increase of approximately 183.9% as compared to approximately HK\$9.3 million for the year ended 31 March 2019. The increase was in line with the increase in revenue.

The gross profit margin of the Garment Business was approximately 13.6% for the year ended 31 March 2020 compared to approximately 10.3% for the year ended 31 March 2019. The increase was due to higher profit margin generated from ACCAPI Business sold through online platform during the year.

The Group recorded a gross profit of approximately HK\$3.9 million in respect of the property investment business for the year ended 31 March 2020, representing an decrease of approximately 31.6% as compared to approximately HK\$5.7 million for the year ended 31 March 2019.

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

Selling, distribution and marketing expenses

Selling, distribution and marketing expenses increased by approximately 66.7% from approximately HK\$3.0 million for the year ended 31 March 2019 to approximately HK\$5 million for the year ended 31 March 2020. The increase was mainly due to the increase in rental expenses for a retail shop for the ACCAPI Business opened during the year.

Administrative expenses

Administrative expenses decreased by approximately 45.2% from approximately HK\$33.0 million for the year ended 31 March 2019 to approximately HK\$18.1 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in staff costs, legal and professional fee and rental expenses.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net gain on fair value change of investment properties of approximately HK\$4.7 million (2019: approximately HK\$0.1 million) represented fair value adjustment of the Group's properties located in Hong Kong and the PRC as at 31 March 2020.

These properties was revalued basis on their open market value as at 31 March 2020 by Avista Valuation Advisory Limited, an independent qualified professional valuer.

FINANCE COST

Finance cost decreased by approximately 6.4% from approximately HK\$7.8 million for the year ended 31 March 2019 to approximately HK\$7.3 million for the year ended 31 March 2020. 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 successfully turned around to record net profit attributable to shareholders. This demonstrated the Group's great efforts on developing and materialising its business plan for the garment business, despite the growth of the garment business had been unexpectedly hindered by the social movements in Hong Kong during the second half of 2019 and the global outbreak of COVID-19 since early 2020. In response to the adverse impact of the aforesaid events on the consumer market, the Group has strengthened the ACCAPI Business by launching online sales channels. The Group will continue to expand the product range, develop and explore products with higher profit margins, expand its distribution channels and customer base and develop worldwide market for its garment business, with a view to promptly capturing sales opportunities following a recovery of the consumer market.

In 2020, leveraging on the experience of the marketing division of the Company in promoting its licensed brands ACCAPI and Super X, the Group has commenced to offer marketing and promotional services in online and offline platforms for external customers, which is a natural expansion from the garment business. The Group will continue to strengthen the manpower for the marketing division, aiming at gradually building up its expertise and credentials to serve a wider range of customers.

The Group will also 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 believes 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.

UPDATE ON THE LISTING STATUS

Trading in the Shares on the Stock Exchange has been suspended since 1 February 2019.

The Company has received a letter dated 8 June 2018 from the Stock Exchange (the “**Letter**”) pursuant to which the Stock Exchange considers that the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares on the Stock Exchange. The Stock Exchange has therefore decided to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage pursuant to Practice Note 17 (the “**Decision**”).

On 27 November 2019, the Company received a letter from the Listing Committee stating that the Listing Committee upheld the Decision to place the Company in the second delisting stage pursuant to Practice Note 17 to the Listing Rules. The second delisting stage of the Company will expire on 8 June 2020.

The Company plans to submit a viable resumption proposal to demonstrate that it has sufficient level of operations and/or assets before the expiry of the second delisting stage.

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 1 February 2019. For details, please refer to the announcements of the Company dated 1 February 2019, 12 February 2019, 30 April 2019, 31 July 2019, 19 September 2019, 31 October 2019, 11 December 2019, 31 January 2020 and 29 April 2020.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the year ended 31 March 2020, 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 HK\$nil (2019: approximately HK\$0.5 million)) of approximately HK\$12.3 million as of 31 March 2020 (2019: approximately HK\$4.5 million).

Bank and other borrowings

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.

As of 31 March 2019, bank and other borrowings of the Group amounted to approximately HK\$198.6 million, including bank loans of approximately HK\$33.0 million, obligations under finance leases of HK\$nil and shareholder's loans of approximately HK\$96.0 million and loans from a related company of approximately HK\$69.6 million. Among the bank and other borrowings, 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 0.54 as at 31 March 2020 compared to approximately 0.40 as at 31 March 2019. The deterioration in current ratio was due to the increase in trade and other payables, contract liabilities, amount due to a shareholder and amount due to a related company. The Group's gearing ratio as at 31 March 2020 was approximately 662.2% (31 March 2019: approximately 680.0%), which is calculated based on the Group's bank and other borrowings of approximately HK\$220.5 million (31 March 2019: approximately HK\$198.6 million) and the Group's total equity approximately HK\$33.3 million (31 March 2019: approximately HK\$29.2 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.

RISK MANAGEMENT

Our principal financial instruments include trade and other receivables, pledged bank deposits, 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 to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2019 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 2020, trade receivables and trade and bills payables of the Group were approximately HK\$87.2 million and approximately HK\$37.0 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 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 2020, bank and other borrowings of approximately HK\$220.5 million (31 March 2019: approximately HK\$198.6 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.

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 2020, 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\$115.5 million (31 March 2019: approximately HK\$76.5 million) and a fixed deposit of approximately HK\$nil(31 March 2019: approximately HK\$0.5 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 2020.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the year ended 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Except for the completion of disposal of subsidiaries as set out in note 4(A) to this results announcement, the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2020.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the year ended 31 March 2020 are set out in note 3 to this results announcement.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2020.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2020, the utilised facilities amounted to approximately HK\$10.4 million (31 March 2019: approximately HK\$33.0 million).

Except for the foregoing, as at 31 March 2020, the Group had no other significant contingent liabilities or pending litigation.

SUBSEQUENT EVENTS

As at 31 March 2020, details of the subsequent events of the Group are set out in note 16 to this results announcement.

STAFF AND REMUNERATION POLICIES

As of 31 March 2020, the Group had a total of 45 employees (31 March 2019: 26 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2020 amounted to approximately HK\$10.5 million (31 March 2019: approximately HK\$16.3 million). Primary means of remuneration include contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2020, 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 2020 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.

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 2020.

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 2020, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2020.

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 2020 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, 22 May 2020

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.