ASCENT

INTERNATIONAL HOLDINGS LIMITED

ANNUAL REPORT

2017

(Incorporated in the Cayman Islands with limited liability)

Contents

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu David Hang
(Chairman and Chief Executive Officer)
Hou Jian

Non-executive Director

Lui Kwok Wai

Independent Non-executive Directors

Wong Yik Chung John
Ernst Rudolf Zimmermann
Ng Man Fai Matthew

COMPANY SECRETARY

Chu Kin Ming

AUDIT COMMITTEE

Ng Man Fai Matthew
(Committee Chairman)
Wong Yik Chung John
Ernst Rudolf Zimmermann

REMUNERATION COMMITTEE

Wong Yik Chung John
(Committee Chairman)
Ernst Rudolf Zimmermann
Ng Man Fai Matthew
Wu David Hang

NOMINATION COMMITTEE

Wu David Hang *(Committee Chairman)*
Wong Yik Chung John
Ernst Rudolf Zimmermann
Ng Man Fai Matthew

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House,
8 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd. Hong Kong Branch
Nanyang Commercial Bank Limited
OCBC Wing Hang Bank Limited

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

LEGAL ADVISER ON HONG KONG LAW

Michael Li & Co.

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

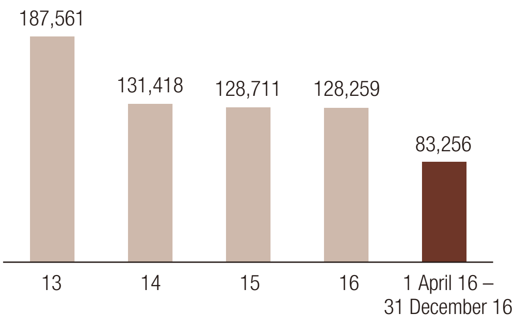
www.irasia.com/listco/hk/ascent/index.htm

STOCK CODE

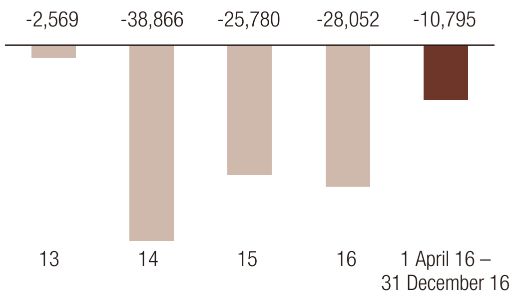
264

FINANCIAL HIGHLIGHTS

REVENUE
(HK$'000)

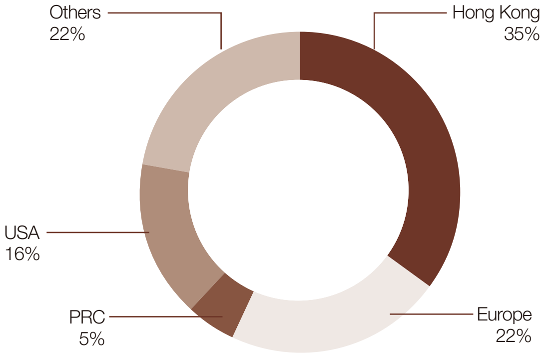


NET LOSS
(HK$'000)

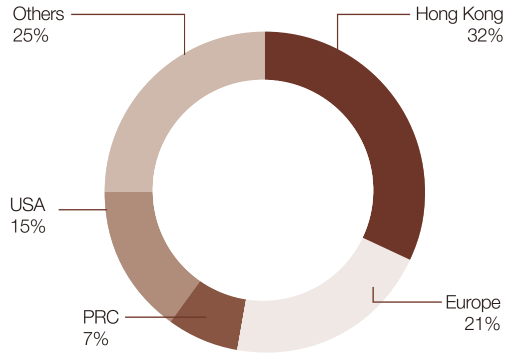


REVENUE BY GEOGRAPHICAL SEGMENT

Period from 1 April 2016 to 31 December 2016

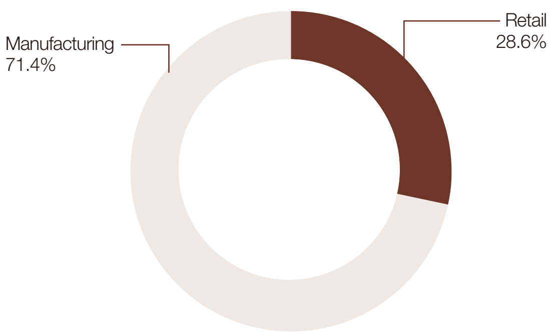


Year ended 31 March 2016

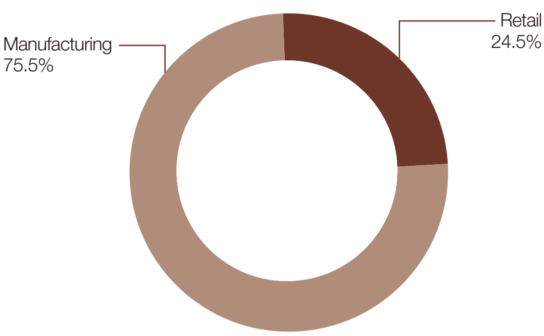


REVENUE BY BUSINESS SEGMENT

Period from 1 April 2016 to 31 December 2016



Year ended 31 March 2016



FINANCIAL HIGHLIGHTS

	Period from 1 April 2016 to 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Operating results		
Revenue	**83,256**	128,259
Gross profit	**29,253**	31,669
Loss before income tax expense	**(10,708)**	(26,231)
Loss for the year	**(10,795)**	(28,052)
Business performance ratios		
Gross profit margin	**35.14%**	24.7%
Net profit margin	**N/A**	N/A
Return on shareholders' equity	**N/A**	N/A
Current ratio	**2.60**	4.07
Quick ratio	**1.38**	1.87
Share data (as at year end date)		
Shares in issue ('000)	**347,904**	347,904
Shares closing price	**HK$1.20**	HK$1.28
Market capitalization (HK$'000)	**417,485**	445,317
Basic loss per share	**(HK3.10 cents)**	(HK8.31 cents)
Interim dividend per share	**Nil**	Nil
Final dividend per share	**Nil**	Nil
Net asset value per share	**HK$0.15**	HK$0.18
Price-to-book value ratio	**8**	7.11

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Ascent International Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the nine-month period from 1 April 2016 to 31 December 2016.

FINANCIAL PERFORMANCE

The financial year end date of the Company has been changed from 31 March to 31 December starting from the financial year 2016 in order to align with the Company's financial year end date with its principal operating subsidiaries in the People's Republic of China (the "PRC") thereby streamlining the preparation of the Company's financial reporting process. Therefore, the current financial period covers a period of nine months from 1 April 2016 to 31 December 2016 which may not be entirely comparable with last year results which cover a period of twelve months.

The Group has recorded a revenue of HK$83,256,000 for the nine months ended 31 December 2016 (year ended 31 March 2016: HK$128,259,000), representing a decrease of 35.1% or approximately HK$45,003,000 as compared with the previous reporting year. Revenue contributed from manufacturing and retail business segments was approximately HK$59,477,000 and HK$23,779,000 respectively. Gross profit was approximately HK$29,253,000. There was a significant increase of gross profit margin from approximately 24.7% to approximately 35.14%. The reasons for the increase in gross profit were mainly due to lower labour costs as there was a decrease in the number of factory workers; and the reduction of factory rental as the Group ceased renting an underused factory area.

Other income and gains amounted to approximately HK$281,000, down from HK$3,801,000 in the last reporting year. The decrease was primarily due to the reduction of bank interest income and the Group did not hold any available-for-sale investments during the period concerned whereas there was a realised gain on investment of HK$1,621,000 in the last reporting year.

Selling and distribution costs decreased by approximately HK$7,639,000 to HK$20,954,000 for the period ended 31 December 2016 (year ended 31 March 2016: HK$28,593,000). The decrease was mainly attributable to the shorter reporting period and better control of marketing cost. Administrative and other operating expenses decrease by approximately HK$12,160,000. Despite the effect of shorter reporting period, the decrease was mainly due to significant cutback in the foreign exchange loss and the effects of better cost control.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$10,795,000 for the period ended 31 December 2016 (year ended 31 March 2016: HK$28,052,000). Loss per share for the period ended 31 December 2016 was HK3.10 cents (31 March 2016: HK8.31 cents).

BUSINESS REVIEW

During the period ended 31 December 2016, the manufacturing and retail business segments accounted for 71.4% (31 March 2016: 75.5%) and 28.6% (31 March 2016: 24.5%) of the Group's total revenue respectively.

Manufacturing business

For the period ended 31 December 2016, the revenue of manufacturing business segment from external customers was approximately HK$59,477,000, in comparison with HK$96,877,000 in the last reporting year.

Geographically, sales to Europe decreased by approximately 35.2% from approximately HK$27,573,000 for the year ended 31 March 2016 to approximately HK$17,855,000 for the period ended 31 December 2016. Sales to Hong Kong reduced by approximately 39.1% from approximately HK$9,055,000 for the year ended 31 March 2016 to approximately HK$5,517,000 for the nine-month period ended 31 December 2016. Sales to the US decreased by approximately 28.8% from approximately HK$18,650,000 for the last reporting period to approximately HK$13,288,000. Sales in PRC market reduced by approximately 54.3% from approximately HK$9,541,000 for the year ended 31 March 2016 to approximately HK$4,363,000 for the nine months ended 31 December 2016. Apart from these major markets, sales to other countries such as Japan, Australia, Canada, India etc. decreased from approximately HK$32,058,000 for the year ended 31 March 2016 to approximately HK$18,454,000 for the nine months ended 31 December 2016.

In respect of product category, sales of belts decreased by approximately HK$36,710,000 to approximately HK$47,251,000 (year ended 31 March 2016: approximately HK$83,961,000), representing a decrease of 43.7%. The sales of leather goods and other accessories reduced by approximately HK$690,000 to approximately HK$12,226,000 (year ended 31 March 2016: approximately HK$12,916,000). In the reporting period, the Group strived to economise on expenditure and reduce the inventory level of raw materials in specific to consume the slow-moving cowhide leathers. As a result, the Group's manufacturing business segment recorded a reduction of operating loss of approximately HK$16,462,000 from HK$16,510,000 for the year ended 31 March 2016 to HK$48,000 for the nine months ended 31 December 2016.

Retail Business

For retail business, due to the adverse retail environment, and keen competition from rivals and online sales, the Group recorded a revenue of HK$23,779,000 for the nine-month period ended 31 December 2016 (year ended 31 March 2016: HK$31,382,000) which represented a 24.2% decline in comparison with the previous year. The Group's in-house brand sales-Urban Stranger comprised 88.7% of the period's retail sales, which was 5.1% lower than that of the previous reporting year (year ended 31 March 2016: 93.8%). Gross profit margin of this period remained high (i.e. 70.0%) as it was marginally higher than the previous year's margin (31 March 2016: 68.7%). This was mainly due to the sales of the in-house brand leather bags.

The overall shop rental to revenue ratio increased from 40.3% for the year ended 31 March 2016 to 43.1% for the nine months ended 31 December 2016. The staff cost to revenue ratio also decreased from 26.9% to 25.1%.

The retail business segment resulted in a loss of HK$3,340,000 for the nine months ended 31 December 2016 as compared to approximately HK$6,627,000 for the year ended 31 March 2016. In response to the market condition, high rental and staff cost, the Group closed down Tsuen Wan AREA 0264 retail store in October 2016 and maintained eight AREA 0264 stores (31 March 2016: nine) and one Teepee Leather workshop (31 March 2016: one) in Hong Kong.

PROSPECTS

The economic outlook of Hong Kong and worldwide continues to be lackluster. In addition to the sluggish economy in Europe, the policy towards foreign import under the new U.S. administration remains uncertain. Therefore, the export sales will remain a great challenge to the Group. As usual, the Group will continue to be cautious about the situation ahead by broaden the sources of income, striving for efficiency and economise on expenditure without compromising on the product quality.

Taking into the account of the factors such as the decrease in the visitor arrivals, the intense competition of retail market and the lack of stimulus in the local economy, the Group's retail business is expected to be stagnant. The Group will prudently review the use of its resources and continue to look for retail business opportunity.

Furthermore, the Group is exploring more business opportunities in Hong Kong and mainland China such as developing the property management services for a range of recreational properties, including hotels, resorts and theme parks. The brand management services which aims at operating business properties for travel and resort, healthcare and cultural innovation will also be the focus of the future business of the Group.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to the management team and all our staff for their hard work, commitment, dedication and contribution, and all of our shareholders, valuable customers and banks for their ongoing support.

Wu David Hang
Chairman

Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016 the Group's cash and bank deposits were approximately HK$21,475,000 as compared to approximately HK$24,008,000 as at 31 March 2016.

The Group recorded total current assets of approximately HK$75,512,000 (31 March 2016: approximately HK$74,874,000) and total current liabilities of approximately HK$29,076,000 (31 March 2016: approximately HK$18,380,000). The increase of total current assets was mainly due to the increase in trade and bills receivables and other receivables, deposits and prepayments. The current ratio of the Group, calculated by dividing the total currents assets by the total current liabilities, was approximately 2.6 times as at 31 December 2016 (31 March 2016: 4.1 times).

In view of its strong financial position and liquidity, the Group did not raise any bank loan during the period. The Group recorded shareholders' funds of approximately HK$50,659,000 (31 March 2016: approximately HK$62,165,000). The decrease was mainly attributable to loss for the period ended 31 December 2016.

TREASURY POLICY

The Group generally finances its operation with internally generated resources. Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars ("HK$"), US dollars ("USD") and Renminbi ("RMB"). Transactions of the Group are mainly denominated in HK$, USD and RMB. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. In this regard, the Group does not expose to significant currency risk arising from USD. In addition, it is estimated that the Group's exposure to foreign exchange fluctuation in Renminbi against Hong Kong dollars would have insignificant effects on profit or loss and other component of equity of the Group. Foreign exchange forward contract can be used to eliminate the currency risk exposure. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

The Board does not recommend any payment of final dividends for the period ended 31 December 2016.

CHARGES ON ASSETS

The Group did not have any assets pledged for general facilities granted by banks.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal for the nine months ended 31 December 2016.

HUMAN RESOURCES

As at 31 December 2016, the Group had approximately 79 employees in Hong Kong and approximately 331 workers in the PRC. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company. The share option scheme has expired on 17 February 2013.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2016 and 31 March 2016.

GEARING RATIO

As at 31 December 2016, the gearing ratio of the Group was 19.5% (31 March 2016: 1.0%), representing the sum of amounts due to a director, fellow subsidiaries and an intermediate holding company divided by total equity.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu David Hang, aged 54, has been appointed as an executive Director, chairman of the Board, chief executive officer and authorized representative of the Company on 23 December 2015. He is a vice president of overseas business development of 中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited*), which holds 26.55% of the issued shares of 中弘控股股份有限公司 (Zhonghong Holding Co., Ltd.) ("Zhonghong"), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000979). Prior to this, he was a senior investment banker, with a focus on cross-border transactions in Asia markets, especially in China market for many years. From 1996 to 2004, Mr. Wu served as a vice president of the Corporate Finance and Investment Banking group at Citigroup. From 2004 to 2007, Mr. Wu worked as a principal at Marco Polo Partners in New York. From 2007 to 2009, he worked at China Power Development Corp. New York, a renewable energy development firm, as one of the founding members. From 2009 to 2015, Mr. Wu served as a managing director of Herakles Capital International, a New York based investment banking firm. Mr. Wu obtained his Master of Business Administration degree from University of District of Columbia, USA and his Bachelor of Science degree from University of Electronic Science and Technology of China. He is currently an executive director, chairman of the board of directors, chief executive officer and authorized representative of KEE Holdings Company Limited ("KEE"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2011) and 75%-owned by Zhonghong.

Mr. Hou Jian, aged 30, has been appointed as an executive Director and authorized representative of the Company on 23 December 2015. He graduated from Inner Mongolia Finance and Economics College with a bachelor of arts degree in public affairs administration. He served as an accounting clerk at 北京中弘投資有限公司 (Beijing Zhonghong Investment Company Limited*), a wholly-owned subsidiary of Zhonghong from October 2009 to March 2010. He served as an accountant for Zhonghong from March 2010 to May 2011 and a fund manager for Zhonghong from June 2011 to February 2015. Since 5 February 2015, he has been serving as a senior fund manager for Zhonghong. He is currently an executive director and authorized representative of KEE.

NON-EXECUTIVE DIRECTOR

Mr. Lui Kwok Wai, aged 27, has been appointed as a non-executive Director on 28 February 2017. He obtained a Bachelor's degree of Science in Engineering (Environmental Engineering) from the University of California, San Diego in 2013. Mr. Lui had been working as an associate at the corporate finance division of the Hong Kong branch of China Minsheng Banking Corp. Ltd., from February 2014 to January 2016. Mr. Lui later served as an associate at the leverage & acquisition finance division of Haitong International Securities Group Limited from January 2016 to October 2016. He is currently the vice president of the leverage & acquisition finance division of Mason Securities Limited.

* *For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Yik Chung John, aged 50, has been appointed as an independent non-executive Director on 23 December 2015. He graduated from the University of Melbourne in 1991 with a bachelor's degree in economics (majoring in economics and securities law). Mr. Wong is a member of The Australian Society of Certified Practising Accountants (CPA Australia) and a member of the Hong Kong Institute of Certified Public Accountants. He has worked in several international accountant firms for around 10 years since his graduation, namely PricewaterhouseCoopers (Hong Kong) in 1992, Arthur Anderson (Hong Kong and Shanghai) from 1993 to 1995, PricewaterhouseCoopers (Beijing) from 1995 to 1996, Ernst & Young (Hong Kong) from 1996 to 1998 and Deloitte from 2000 to 2003. He specialises in listing audits (primarily for companies in mainland China seeking to be listed overseas) and financial advisory business for listed companies, including mergers and acquisitions and restructuring. He founded a finance and IT subcontracting company in 2003, and disposed of such business to TMF Group, a leading service subcontracting consortium in Europe, in 2008. Subsequently, he also founded several fund management companies including 顯德投資管理有限公司 (Vantage Capital Ltd.). In 2015, he left the position of managing partner, and served as a company consultant of Vantage Capital Ltd., focusing on risks control and corporate strategies. Over the past three years, he served as directors for the following companies listed on (i) the Shenzhen Stock Exchange, namely Western Securities Co., Ltd. (stock code: 2673), and (ii) the Main Board of the Stock Exchange or the Growth Enterprise Market of the Stock Exchange, namely EcoGreen International Group Limited (stock code: 2341), Biosino Bio-Technology and Science Incorporation (stock code: 8247), Perfect Optronics Limited (stock code: 8311), Long Ji Tai He Holding Limited (stock code: 1281), Golden Resources Development International Limited (stock code: 677) and Beijing North Star Company Limited (stock code: 588). He is currently serving as independent non-executive directors for the following companies which are listed on the Hong Kong Stock Exchange, namely EcoGreen International Group Limited (stock code: 2341), Perfect Optronics Limited (stock code: 8311), Long Ji Tai He Holding Limited (stock code: 1281), Beijing Capital Land Ltd. (stock code: 2868) and KEE.

Mr. Ernst Rudolf Zimmermann, aged 68, has been appointed as an independent non-executive Director on 23 December 2015. He has more than 40 years of business experience in the international hospitality industry, especially in the Greater China region. Mr. Zimmermann is currently the president and chief executive officer of AVA Hospitality, a hotel management services company providing specialized China-related hospitality management and consultancy services and giving independent professional advice on design brief on hotel component to hotel investors and operators. Mr. Zimmermann now serves as the senior vice president of Swiss-Belhotel International, an international hotel management company offering unique fusion of Swiss hospitality management in all aspects of the hotel, serviced apartments and club. He is also an associate of Global Strategic Associates, LLC, an independent, privately-owned international advisory firm in New York, the United States of America. Mr. Zimmermann is currently an independent non-executive director of Forebase International Holdings Limited, which is listed on the Stock Exchange (stock code: 2310). Mr. Zimmermann started his hospitality career first in Stadl-Paura, Austria in 1962 and received hospitality training in Gmunden, Austria. Before relocating to Hong Kong as a restaurant manager in Furama Hotel in 1974, he worked in a number of food and beverage positions across various Western Europe countries, including England, Switzerland, Italy, Bermuda and so on. Mr. Zimmermann continued his hotel business in the Holiday Inn Group (now known as InterContinental Hotels Group) for subsequent years in senior managerial and executive positions for the development of the hotel chain throughout the Asia Pacific region, including, Hong Kong, Thailand and the PRC; and later on, with extensive years of experience in the hospitality field, Mr. Zimmermann established his own hotel management business, namely, Zenith Hotels International Limited, providing hotel management services and technical assistance to hotel owners, developing more than 20 hotel properties throughout the PRC and South-East Asia. More recently, Mr. Zimmermann served as the vice president within the ACCOR Hotel Group China to re-position new Sofitel Luxury Hotel in the PRC; and being the senior vice president in the New World Hotels Group to help promote its new hotel brand in the PRC. In previous years, Mr. Zimmermann also held consultative positions in certain companies in the PRC and Hong Kong.

Mr. Ng Man Fai, Matthew, aged 49, has been appointed as an independent non-executive Director on 23 December 2015. He is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a provisional member of the Institute of Certified Public Accountants of Singapore. He is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and an associate member/certified tax adviser of The Taxation Institute of Hong Kong. Mr. Ng holds a Master of Accountancy from Charles Sturt University, Australia, and a Bachelor of Business Administration from the University of East Asia, Macau. Mr. Ng has over 25 years working experience in audit and accounting, gained from international firms and companies listed on the Stock Exchange. From 2012 to 2015, he served as an independent non-executive director of China Investment Fund Company Limited, which is listed on the Stock Exchange (stock code: 612). He is currently a deputy financial controller of Burwill Holdings Limited, which is listed on the Stock Exchange (stock code: 24).

SENIOR MANAGEMENT

Mr. Chan King Hong Edwin, aged 58, is the former executive Director, and is currently the chief executive officer of the leather goods manufacturing and retail division of Company who found the Group in around 1980. Mr. Chan is responsible for the development of corporate strategies, overseas sales and marketing strategic planning and overall management of the leather goods manufacturing and retail division of the Group. He has over 30 years of experience in the manufacturing and sales of leather goods, corporate management and strategic planning. Mr. Chan graduated from the University of Toronto in Canada with a bachelor’s degree in arts in 1980.

Mr. Chu Kin Ming, aged 36, has been appointed as the financial controller and the company secretary of the Company on 29 February 2016. He is a fellow member of The Association of Chartered Certified Accountants. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, the Chartered Institute of Management Accountants and an associate member/certified tax adviser of The Taxation Institute of Hong Kong. Mr. Chu holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University and he has extensive experiences in the field of accounting and financial management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is important to the success of the Company. The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value and safeguard the interests of shareholders.

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The Company has complied with the Code Provisions as set out in the CG Code during the nine-month period ended 31 December 2016 except for the deviations from the Code Provisions A.1.8, A.2.1, C.2.5 and E.1.2 in respect of the arrangement of appropriate insurance cover of legal action against Directors, the separation of roles of the chairman of the Board (the "Chairman") and chief executive of the Company (the "Chief Executive Officer"), that the Group should have an internal audit function and the Chairman and the chairman of the Board Committees should attend the annual general meeting of the Company respectively. Further details are disclosed in this report.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code during the nine-month period ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic directions and financial performance. The management was delegated authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to Remuneration Committee, Audit Committee and Nomination Committee.

The Board currently consists of 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. Their brief biographical details are set out in the section headed "Biographical details of Directors and senior management" on pages 9 to 11 of this Annual Report. Save for the business relationship between Mr. Wu David Hang and Mr. Hou Jian as disclosed in the section headed "Biographical details of Directors and senior management" on page 9 of this Annual Report, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

The Board holds four regular meetings a year to review the financial and operating performance of the Company. Apart from the regular Board meetings, the Board will meet on other occasion when required.

During the nine-month period ended 31 December 2016, 3 Board meetings were held by the Company. The individual attendance record of each Director at the meetings of the Board and annual general meeting of the Company during the nine-month period ended 31 December 2016 is as follows:

	Number of Board meetings attended/ eligible to attend	Annual general meeting held on 5 September 2016 attended
Executive Directors		
Mr. Wu David Hang *(Chairman and Chief Executive Officer)*	3/3	1/1
Mr. Hou Jian	3/3	1/1
Independent Non-executive Directors		
Mr. Wong Yik Chung John	3/3	1/1
Mr. Ernst Rudolf Zimmermann	3/3	1/1
Mr. Ng Man Fai Matthew	3/3	1/1

All current independent non-executive Directors are appointed for a specific term of one year and are also subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with Company's articles of associations (the "Articles").

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence as required under rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers all independent non-executive Directors are independent.

DIRECTORS' INSURANCE COVER OF LEGAL ACTION

Under the Code Provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. During the nine-month period ended 31 December 2016, the Board did not arrange insurance cover in respect of legal actions against the Directors before 10 May 2016 because Directors had always been prudent in making business decision for the Company and so the legal risk to the Directors was quite low.

With effective from 10 May 2016, the Company arranged appropriate insurance cover for Directors' and officers' liabilities, which has complied with the CG Code thereafter.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the nine-month period ended 31 December 2016, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/ Read Materials
Executive Directors	
Mr. Wu David Hang *(Chairman and Chief Executive Officer)*	✓
Mr. Hou Jian	✓
Independent Non-executive Directors	
Mr. Wong Yik Chung John	✓
Mr. Ernst Rudolf Zimmermann	✓
Mr. Ng Man Fai Matthew	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. For the nine-month period ended 31 December 2016, the roles of the Chairman and Chief Executive Officer had been performed by Mr. Wu David Hang. The Board is of the view that given the small size of the existing management team, Mr. Wu David Hang has considerable experience in business development and the Board believes that the current structure will enable the Company to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group.

OTHER COMMITTEES

There are three committees established under the Board, namely Audit Committee, Remuneration Committee and Nomination Committee.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ng Man Fai Matthew, Mr. Wong Yik Chung John and Mr. Ernst Rudolf Zimmermann. On 30 November 2015, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the Listing Rules requirement in relation to the internal control by introducing the concept of the risk management. The revised term of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

During the nine-month period ended 31 December 2016, 2 audit committee meetings were held by the Company. Individual attendance of each committee member at the meetings is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Mr. Ng Man Fai Matthew *(Committee Chairman)*	2/2
Mr. Wong Yik Chung John	2/2
Mr. Ernst Rudolf Zimmermann	2/2

The major roles and functions of the Audit Committee are as follows:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to review and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- to monitor the integrity of the Company's financial statements and the annual report and accounts and half-year report and, if prepare for publication, quarterly reports and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts of the Company before submission to the Board, the Audit Committee shall focus particularly on:

  - any changes in financial reporting and accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and
  - compliance with the Listing Rules, the Applicable Rules and legal requirements in relation to financial reporting.

- to liaise with the Board and senior management and meet at least twice a year, with external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual report and accounts and half-year report, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor of the Company;

- to review the financial controls, internal control and risk management systems of the Company;

- to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

- to review the group's financial and accounting policies and practices;

- to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;

- to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;

- to review arrangements for employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

- to act as the key representative body for overseeing the Company's relations with external auditor.

During the period under review, the Audit Committee has reviewed with the Group's management the principles and practices adopted by the Group, discussed internal control, risk management and financial reporting matters, including a review of the unaudited financial statements and results of the Group for the six months ended 30 September 2016 and audited financial statements and results of the Group for the year ended 31 March 2016.

AUDITOR'S REMUNERATION

For the nine-month period ended 31 December 2016, the fees paid/payable to the Group's auditor, BDO Limited, is set out as follows:

Nature of services	Amount HK$'000
Audit Services	750
Non-audit services	90
Total:	840

The non-audit services were related to agreed-upon procedures on certain financial information.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Wong Yik Chung John, Mr. Ernst Rudolf Zimmermann, and Mr. Ng Man Fai Matthew and one executive Director, namely Mr. Wu David Hang. The term of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Remuneration Committee meets at least once a year and the Remuneration Committee will meet on other occasion when required.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

During the nine-month period ended 31 December 2016, 1 remuneration committee meeting was held to review and determine the annual remuneration packages of the Directors. Individual attendance of each committee members at the meetings is as follows:

	Number of meetings attended/ eligible to attend
Independent Non-executive Directors	
Mr. Wong Yik Chung John *(Committee Chairman)*	1/1
Mr. Ng Man Fai Matthew	1/1
Mr. Ernst Rudolf Zimmermann	1/1
Executive Director	
Mr. Wu David Hang	1/1

The major roles and functions of the Remuneration Committee are as follows:

- to make recommendations to the board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration package should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Ng Man Fai Matthew, Mr. Ernst Rudolf Zimmermann and Mr. Wong Yik Chung John and one executive Director, namely Mr. Wu David Hang. On 30 September 2013, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the Listing Rules requirement in relation to board diversity effective from 1 September 2013. The revised term of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Nomination Committee meets at least once a year and the Nomination Committee will meet on other occasion when required.

During the nine-month period ended 31 December 2016, 1 nomination committee meeting was held to recommend the re-appointment of the Directors standing for re-election at the annual general meeting of the Company, to assess the independence of the independent non-executive Directors and to review and assess the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the nine-month period ended 31 December 2016. Individual attendance of each committee member at the meetings is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Mr. Wong Yik Chung John	1/1
Mr. Ng Man Fai Matthew	1/1
Mr. Ernst Rudolf Zimmermann	1/1
Executive Director	
Mr. Wu David Hang *(Committee Chairman)*	1/1

The major roles and functions of the Nomination Committee are as follows:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of independent non-executive Directors; and

- to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations. During the period under review, no new Director was newly appointed. Subsequent to the nine-month period ended 31 December 2016, on 28 February 2017, Mr. Lui Kwok Wai was appointed as a non-executive Director by going through the selection process stated as above.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company has adopted a board diversity policy (the "Board Diversity Policy") on 30 September 2013 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. A summary of Board Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 21 March 2012 and is in compliance with paragraph D.3.1 of the CG Code. During the nine-month period ended 31 December 2016, the Board has discussed the corporate governance matters including a review of the corporate governance report for the year ended 31 March 2016.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group and ensure those financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors have also ensured the timely publication of the financial statements of the Group.

The Directors' responsibilities in preparing financial statements and auditor's responsibilities are set out in the Independent Auditor's Report on pages 43 to 46 of this Annual Report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained. The internal control system, which is overseen by the executive Directors and the management of the Company (the "Management"), is designed to provide reasonable assurance on the effectiveness and efficiency of operations, to safeguard assets against unauthorized use or disposition and to maintain proper accounting records for producing reliable financial information.

Under the Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group has reviewed the need for an internal audit department annually. Due to the present company structure, the Management is of the opinion that instead of setting up an internal audit department, it would be more cost effective to engage an independent professional third-party to review the Group's internal control measures and report to the Audit Committee members. The review covered the adequacy of resources, staff qualifications and experience, training programmes, budget, internal audit, financial reporting functions and Listing Rules compliance. Major risk factors and recommendations were presented to the Audit Committee members for their consideration.

In additions, the Management assessed and presented regular reports to the Audit Committee members on its own assessments of key risks, strengths, weaknesses of the overall internal controls systems and remedies. The external auditors also reported on any control issues identified in the course of their work and presented to the Audit Committee members.

Based on above reviews performed by the Management, external auditors and the independent professional third-party, The Board viewed that during the nine-month period ended 31 December 2016, risk management and internal control system were effective and sufficient, and no event led to material impact on Group's financial, operational and compliance controls.

While the Board strives to implement an effective and sound internal control and risk management system to safeguard the interest of Shareholders and the Group's assets, the Board also acknowledges that a sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance. The effectiveness of the internal control and risk control systems will be reviewed on an annual basis.

CORPORATE COMMUNICATION

The Company endeavors to maintain good investor relationship with shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A Shareholder's Communication Policy was adopted by the Board on 21 March 2012 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

Under the Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. During the nine-month period ended 31 December 2016, Mr. Wu David Hang (Chairman of the Board and chairman of nomination committee) and Mr. Hou Jian could not attend the annual general meeting of the Company held on 5 September 2016 due to other business engagement, however, they have appointed the other attended Directors as their representatives at the meeting to answer questions from the shareholders of the Company. In the future, the Company will try its best to encourage and ensure the Directors to attend the general meetings.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office and principal place of business in Hong Kong at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong.

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to article 58 of the Articles. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the Company's head office and principal place of business in Hong Kong at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company at the head office of the Company in Hong Kong.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Article, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such extraordinary general meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the company secretary at the Company's head office and principal place of business at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's head office and principal place of business at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong or send email to marcus.chu@zhonghongintl.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Chu Kin Ming ("Mr. Chu"), was appointed on 29 February 2016. He is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordnance and other applicable laws, rules and regulations. During the nine-month period ended 31 December 2016, Mr. Chu undertook not less than 15 hours of professional training to update his skills and knowledge.

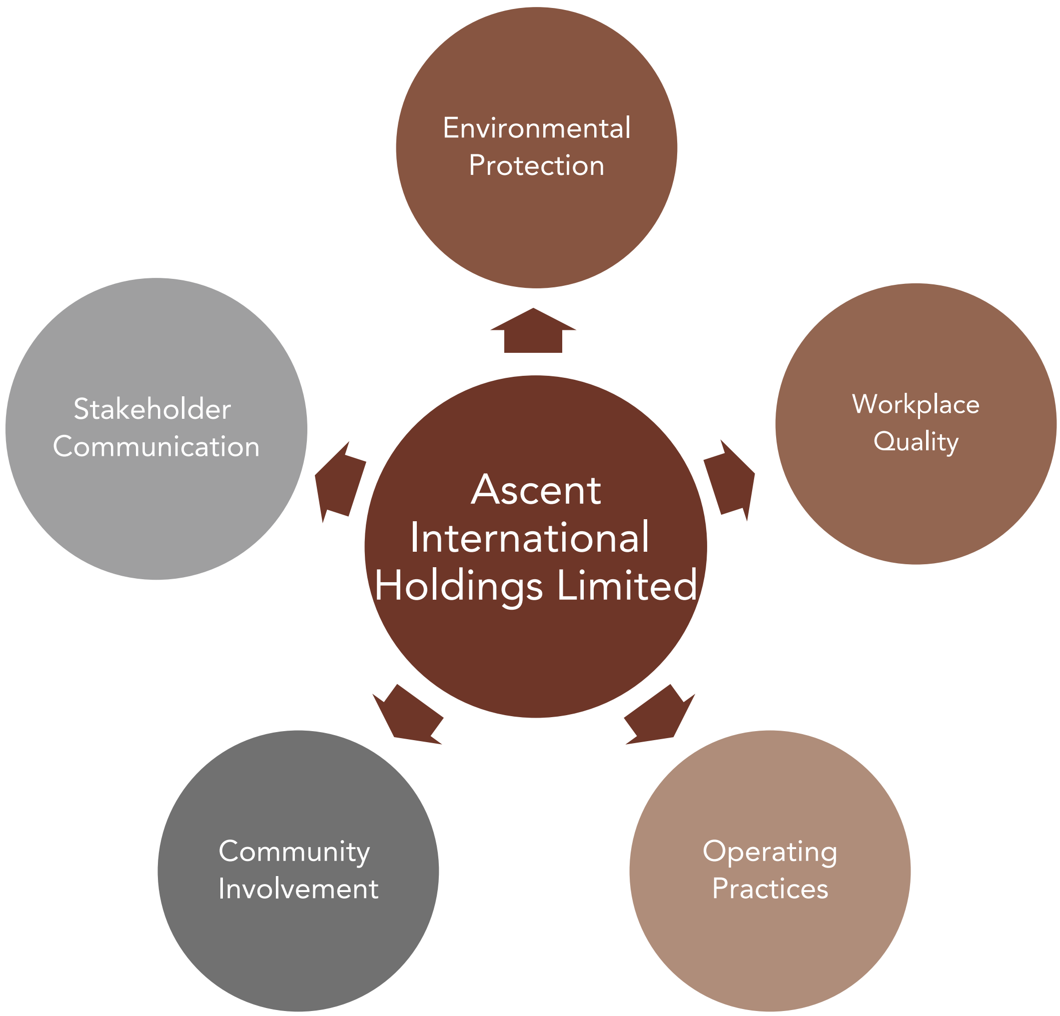
CONSTITUTIONAL DOCUMENTS

During the period under review, there was no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The contents contained in this Environmental, Social and Governance ("ESG") report include the information obtained through a number of channels from shareholders, stakeholders and various parties over the year. The report covers environmental protection, workplace quality, operating practices and community involvement aspects and Corporate Social Responsibility ("CSR") Model. We have given full consideration to issues that are concerned about by major stakeholders, and adhered to the principles of materiality, completeness, comparability and stakeholder involvement, whereby the substances of this ESG report are determined. This report spans over a period from 1 January 2016 to 31 December 2016, and covers information of the Group – Hong Kong headquarter and two production bases in Dongguan, the People's Republic of China. This report provides detailed explanation with regard to the Group's CSR model on different aspects. The Group's CSR model is set out as follows.



1. ENVIRONMENTAL PROTECTION

1.1 Emissions

Emphasising both on economic benefit and environmental protection, the Group makes great efforts to develop a long term mechanism and relevant policies of environmental protection and energy saving to build a resource-saving and environment-friendly enterprise.

The Group strictly complies with local laws and regulations to identify and manage such substances to ensure safe treatment, transportation, storage, use, recycle, reuse and disposal. For example, painting wastewater created during the production process in each plant is pre-treated by sewage facilities, and then transported through a qualified wastewater treatment company for discharge. Moreover, each plant has a specific storage room to store different materials, such as storing paint deposits and waste paint barrels in a ventilated warehouse. Besides, paint deposits undergo pressure filtration and drying treatment in order to reduce their water content and volume. Afterwards, the processed paint deposits will be stored before collection by recycling company, thereby reducing the burden on landfills and relieving the impact on the environment.

1.2 Use of resources

In 2016, the Group had consumed approximately 890,000 kilowatts of electricity and 25,000 litres of water respectively. Low carbon strategy is implemented through reduction and concentration of production operations, merger of dormitories and other measures to improve power and water use efficiency.

Regarding the waste management and recycling, the Group recorded approximately 280 tons of recyclable industrial waste and 26 tons of domestic waste in 2016. The Group requires the employees to separate and classify the wastes. Industrial wastes include leather scraps, waste paint slags, thinner-soaked rags and thinner containers. These hazardous wastes are stored in a specialised storage place and handled in accordance with the “Hazardous Waste Storage Pollution Control Standard”. The Group commissions a qualified company to collect the wastes according to the recycle and registration system stipulated under relevant laws and regulations.

2. WORKPLACE QUALITY

2.1 Working conditions

The policy of working conditions is people-oriented. In relation to personnel management such as staff hiring, promotion, performance evaluation and compensation, the Group establishes a labour relationship on the footings of legitimacy and equality, which avoids any discrimination based on gender, age, place of birth, race, language, nationality and religion. The Group recruits employees through two channels including recruitment from public and college. The recruitment of the employees embodies the principles of social responsibilities such as equal opportunities, respect for human rights, diversity, prohibition of use of child labour and forced labour.

In respect of salaries and benefits, the Group provides a comprehensive remuneration package of compensation and benefits for its employees. The remuneration package is mainly determined according to the employee development, individual performance and organisational performance. The Group provides its new employees with clear codes of practice, rules and regulations, as well as information relating to salary and benefit system.

In addition to contractual salary, the Group has also set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for all employees in Hong Kong. The MPF Scheme, which is subject to the Mandatory Provident Fund Schemes Ordinance, is a defined contribution retirement plan administered by independent trustees. The MPF Scheme requires employers and employees to make the MPF Scheme contributions at 5% of the employees' relevant income, subject to a statutory limit of HK$1,500 per month.

The Group's employees in the PRC are entitled to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance). According to the relevant employment laws and regulations in respective regions, the Group provides statutory holidays such as basic paid annual leave and maternity leave for employees. Meanwhile, for overtime work by employees in non-office hours or on statutory holidays, employees may receive appropriate overtime payment according to the requirements of the labour law.

As of 31 December 2016, the Group has approximately 410 employees. The table below is the key performance indicator ("KPI") established according to department and age group of employees. Most of the employees are employed under the operation in the PRC. The percentage of technical management staff and production base workers in different age groups is as follows:

	Percentage of technical management staff	Percentage of production base workers	Total
Aged 18-25	1%	0%	1%
Aged 25-30	7%	1%	8%
Aged 30-40	12%	22%	34%
Aged 40-50	6%	49%	55%
Over 50	1%	1%	2%
Total	27%	73%	100%

Recognising the importance of the communication with its employees, the Group encourages its employees to share their ideas, raise questions or make suggestions to the Group. With the availability of a wide array of communication channels, the Group offers its employees access to the latest information of the Group through website. Employees can also maintain timely and smooth communication with the management, colleagues and partners of the Group through members of the union or representatives of the employees.

2.2 *Labour standards*

All work should be voluntarily performed and shall not involve forced labour, debt repayment, contractually bound labour or involuntary prison labour. All employees may resign upon reasonable notice. The Group prohibits child labour in any workplace. "Child labour" refers to any employee under the age of 16 (or the minimum legal age for labour). Working hours shall not exceed the limit stipulated by local laws and employees are entitled to one day-off per week. Salary and benefits also complies with applicable wage laws and regulations in relation to minimum wage, overtime hour and mandatory benefits. The salary payment is made in a timely manner.

The Group prohibits discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in recruitment and employment practices such as promotions, rewards, access to training and demotion.

2.3 *Health and safety*

With safe production as its first priority, the Group strictly complies with relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

The Group trains employees to prevent occupational hazards from time to time, and regularly distributes labor protection supplies and tools to employees, such as gloves, masks, protection shoes and first aid kits. At the same time, the Group posts the hazard warning signs and labour protection supplies reminders in relevant work places. The Group provides the relevant staff with annual occupational health examination. Meanwhile, the Group also implements the labor protection supplies regulatory mechanism. With regular inspection by dedicated persons, the employees are reminded to wear labour protection supplies to safeguard their health.

In terms of production safety, The Group provides target training for newly recruited employees with three levels of personal safety training. The specific categories are as follows:

Education categories	Abstract
First level (Corporate education)	1. The company's production safety circumstances and basic knowledge of production safety; 2. The company safety rules and regulations and labor discipline; 3. The employees' rights and obligations in production safety; 4. Emergency rescue plan and self-help knowledge; 5. The accident case study; 6. Other safety-related training.
Second level (Workplace education)	1. Working environment and risk factors; 2. Occupational hazards and casualties that may be suffered; 3. Work safety responsibilities, operational skills and mandatory standards; 4. Rescue and first aid methods, evacuation and on-site emergency treatment; 5. Use and maintenance of safety equipment and personal protective equipment; 6. Safety production conditions in workplace and related rules and regulations; 7. Measures to prevent accidents and occupational hazards and safety matters that should be paid attention to; 8. The accident case study; 9. Other training content.
Third level (Position education)	1. Safety operating procedures for related position; 2. The safety and occupational health matters relating to interconnection between different positions; 3. The accident case study; 4. Other training content.

During 2016, no severe industrial accidents were recorded by the Group, but minor industrial accidents had occurred one time, which was caused by careless work. The KPI of the production base, measured in days lost due to work injury, is set out below.

Item	Production base of the Group
Days lost due to work injury	27

The Group has strengthened on-the-job safety training by requiring all department heads responsible for work injury to carry out safety training for their department staff, and through a series of measures to enhance the safety awareness of employees in order to avoid the recurrence of similar incidents.

In addition, the Group prepares the "occupational accident emergency rescue plan" to prevent the occurrence of sudden and major occupational hazards, and to control and handle occupational hazards effectively when it happens Apart from setting up first aid box in workplaces and offices, the Group will perform regular emergency rescue training and drill every year.

Moreover, the Group has assigned dedicated people to conduct monthly inspection of the fire equipment and perform full fire drill regularly every year in order to increase the awareness of fire safety and fire prevention.

2.4 *Development and training*

The Group highly emphasizes on the internal and external learning and training to enhance the educational standards and working ability of employees. The Group has set up quarterly training schedule to provide different types of trainings to employees. The categories include personnel, finance, production management, personal qualities, research and development and marketing. Through education and training, the Group enables its employees to enhance their personal qualities, strengthen their working skills and reinforce the team performance. Moreover, employees can grow with the Group by realising their own values on the basis of their personal interest and expertise.

Besides, all employees are subject to regular performance and career development appraisal, in order to ensure the efficiency and quality of our employees and to foster the stable development of the Group.

Promotions are made in accordance with the needs from the Group's business development and the employees' competence. Vacancies of the Group's internal management positions will be filled up internally by promoting the most qualified employees within the Group. This offers the employees with the opportunities for promotion and enhances the efficiency of the Group.

3. OPERATING PRACTICES

3.1 Supply chain management

Based on Supply Chain Social and Environmental Responsibilities ("SER") Management, the principal raw materials currently required by the Group's production operation include leather, metallic parts, chemical and dyeing materials and packaging materials. There are a few thousand domestic and overseas suppliers that supplies the raw materials mentioned above. In addition to factors such as pricing, quality, reliability in supply, the Group will also take into account the suppliers' performance in fulfilling their social responsibilities and commitment to environmental protection in the selection of suppliers. The Group requires the suppliers to comply with the laws and regulations in the countries and regions where their operations are located, and operate in good faith by adhering to their business ethics. The Group prohibits discrimination arising from regional, racial, cultural and political factors in the course of certification, evaluation and optimisation of suppliers.

In addition, to reinforce suppliers' respect for employees and awareness of environmental protection as well as health and safety, the Group requires all suppliers to sign the "Safety Terms in Supplier Procurement Contract". At the same time, a dedicated team has been set up to conduct on-site appraisal for suppliers, and assists them in improving the substandard performance.

3.2 Product liability

1. Quality management

With unwavering commitment to premium product quality, we have established a set of comprehensive quality control system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements and ensure the compliance with relevant laws and regulations in product liability. The department adheres to strict rules in trial production and performs sample tests on mass production in order to monitor the quality with customers. Until now, no recall of product due to safety reasons has occurred.

2. Advertising and labelling management

The Company manages labelling and advertising in accordance with relevant laws and regulations to protect consumers' rights and maintain brand image. The Group conforms to requirements of Advertisements Law of the People's Republic of China. The Group also manage design and change of packaging materials used for new products to make the product package conform to characteristic of products, demand of market, technical conditions and provisions of national laws and regulations. The design draft of label, manual and package should include product specifications, packaging specifications, size requirements, material requirements, appearance requirements, packaging safety requirements and other specific contents which are reviewed by marketing department, manufacturing department, logistics department, and quality control department.

3. Consumer Services

Upholding the principle of honesty, the Group tries our best to provide accurate product information and protect customer's right. Customers can complain by telephone, mail, fax, visiting or other form to the Group. The Group has developed customer complaint handling mechanism (the "Mechanism") to regulate procedure of complaint registration, evaluation, investigation and treatment. Complaints on product quality from customers shall be solved immediately and effectively to improve consumers' satisfaction. According to the Mechanism, any department or personnel receiving customers' complaints shall forward them to sales department and quality control department. Quality control department is responsible for carrying out investigation and deal with customers' complaints related to product quality, approving relevant corrective and preventive actions plan, assisting sales department to reply to customers. Sales department assists quality control department to investigate complaint, provides and implements sales measures, communicates with customers and resolve the complaint.

4. Privacy Protection

The Group has prepared the measures on commercial secrets in accordance with relevant laws and regulations in the PRC to protect its legal rights. The Group has established an internal confidential system and requires relevant personnel to sign a non-disclosure agreement.

3.3 Anti-corruption

The Group advocates honesty and trustworthiness, and never allows bribery, extortion, fraud, money laundering or breach of professional ethics. All employees need to read the "Corporate Anti-commercial Bribery Provisions" on entry date in order to restrict their behavior, establish good professional ethics and clear responsibilities. This Provision is also required to be read by customers or suppliers before transacting with them, promising no violation of good faith principle in the course of any business dealings in future. During the reporting period, the Group has complied with the relevant laws and regulations in Hong Kong and the PRC relating to aforesaid corruption matters, there were no lawsuit against the group companies or their employees in this respect.

At the same time, the Group sets up a hotline and email to receive reports from all employees, external organizations or personnel.

4. COMMUNITY INVOLVEMENT

4.1 Community investment

The Group emphasizes the support of the community and participates in a number of charitable activities for the help of poverty, disabled and other projects.

5. COMMUNICATION WITH STAKEHOLDERS

In order to better implement our corporate social responsibilities, the Group maintains communications with stakeholders such as shareholders, employees, suppliers, customers and communities through a number of channels as listed in the table below. Through which, the Group can listen to the voices of various parties, understand their expectations and learn the merits from them. Stakeholders' selection, communication frequencies, their issues of concern as well as the approach of the Company are detailed in the following table:

Stakeholders	Selection criteria	Communication channels and frequencies	Issues of concern	Efforts and approach of the Group
Shareholders	–	The Group publishes annual and interim results in a timely manner. While shareholders may communicate with the Group in the annual general meeting and through regular contact, they also obtain timely information about the Company on press release and the Group's website	Shareholders' benefits, a priority for the Group's decision, and an emphasis on open dialogue with shareholders which ensure that shareholders receive important public listing information, understand the business performance strategies and prospects of the Group	Both the Group and Directors will strictly comply with relevant regulations of the Listing Rules in Hong Kong regarding the protection of shareholders' interests.
Employees	Equally	Through a number of pipelines such as employee hotlines, seminars, mailboxes and annual dinner, the Group establishes communications with employees.	Working environment, staff's well-being and job satisfaction	The Group has established a barrier-free communication system and process. The Group provides the employees with psychological counselling services hotline. All these initiatives have helped to improve employees' sense of belonging to the Group.
Suppliers	Priorities determined at the 80/20 rule	The Group hosts annual supplier meeting and carry out appraisals	Supplier code of conduct, and the degree of compliance with laws and regulations	Annual supplier meeting and unscheduled SER appraisal will be held, in order to make suppliers well aware of the Group's requirements for supply chain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Selection criteria	Communication channels and frequencies	Issues of concern	Efforts and approach of the Group
Customers	Service excellence for customers	SER events	Suppliers' SER compliance condition, green product standards, greenhouse gas discharge stipulations, as well as resources and energy saving	The Group maintains close connections with customers, and accepts enquires from customers. The Group reports SER status and downstream supplier SER management status to customers. The Group constantly reinforces customer services by providing fast, efficient, high-quality, economical and innovative products. The Group puts active efforts on energy conservation and emission reduction, and offers customers access to low-carbon products.
Communities	Extension of reach by leveraging the presence of the Company in each of its bases	Events from time to time	Environmental protection	Each of our factory zones will take part in environmental protection and green home activities in joint forces, in an effort to raise the awareness of the protection of the environment among the community.

REPORT OF THE DIRECTORS

The directors (the "Directors") are pleased to present their report together with the audited financial statements of Ascent International Holdings Limited (the "Company") and its subsidiaries (collectively refer to the "Group") for the nine-month period ended 31 December 2016.

CHANGE OF COMPANY NAME

Pursuant to the resolution of the Board proposed on 29 April 2016, the Company announced the proposed change of the English name of the Company from "Chanco International Group Limited" to "Ascent International Holdings Limited", and to adopt and register the Chinese name of "中璽國際控股有限公司" as the dual foreign name of the Company in place of its then existing Chinese name of "卓高國際集團有限公司". The change of name was approved by passing of a special resolution by the shareholders at the extraordinary general meeting of the Company held on 10 June 2016. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 12 July 2016. Following the change of Company's name, the shares of the Company have been traded on the Stock Exchange under the new English stock short name of "Ascent Int'l" and new Chinese stock short name of "中璽國際", instead of "Chanco Int'l" in English and "卓高國際" in Chinese, with effect from 9:00 a.m. on 20 July 2016. The stock code of the Company remains as "264".

CHANGE OF FINANCIAL YEAR END DATE

The Board resolved on 8 December 2016 to change the financial year-end date from 31 March to 31 December in order to ensure the Company's financial year-end date is coterminous with those of its subsidiaries for facilitating the preparation and updating of the consolidated financial statements and accounts of the Group and for the benefit of the overall development of the Group. Accordingly, these consolidated financial statements for the period under review covered the nine-month period from 1 April 2016 to 31 December 2016. The corresponding comparative figures covered a twelve-month period from 1 April 2015 to 31 March 2016 and therefore may not be comparable with amounts shown for the current period.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 24 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 5 to 7 and page 8 of this Annual Report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including market risk, credit risk, and liquidity risk. The risk management policies and practices of the Group are shown in note 28 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

For the nine-month period ended 31 December 2016, the Group was not subject to any environmental penalty. Details of the environmental, social and governance performance of the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 24 to 33 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the nine-month period ended 31 December 2016, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the nine-month period ended 31 December 2016, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY

During the nine-month period ended 31 December 2016, the Board did not arrange appropriate insurance cover in respect of legal action against the Directors because Directors had always been prudent in making business decision for the Company and believed the legal risk to the Directors to be quite low. With effective from 10 May 2016, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities.

RESULTS AND APPROPRIATIONS

The results of the Group for the nine-month period ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 47 to 87 of this Annual Report.

The Directors do not recommend any payment of final dividend to shareholders for the nine-month period ended 31 December 2016.

RESERVES

Details of the movements in the reserves of the Company and the Group during the nine-month period ended 31 December 2016 are set out in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity on page 49 of this Annual Report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2016, amounted to approximately HK$46,917,000. Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the memorandum and articles of association of the Company and no distribution or dividend may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's memorandum and articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

BANK LOANS AND OVERDRAFTS

The Group did not have bank loans and overdrafts as at 31 December 2016.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine-month period ended 31 December 2016.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 11 of this Annual Report.

DIRECTORS

The Directors during the nine-month period ended 31 December 2016 and up to the date of this report were:

Executive Directors

Mr. Wu David Hang *(Chairman and Chief Executive Officer)*
Mr. Hou Jian

Non-executive Director

Mr. Lui Kwok Wai *(appointed on 28 February 2017)*

Independent Non-executive Directors

Mr. Wong Yik Chung John
Mr. Ernst Rudolf Zimmermann
Mr. Ng Man Fai Matthew

In accordance with Article 86(3) of the Company's articles of association (the "Articles"), Mr. Lui Kwok Wai shall retire from office in the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 87 of the Articles, Mr. Wong Yik Chung John and Mr. Ng Man Fai Matthew shall retire from office by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Details of service agreements or letters of appointment entered into by the Company with the Directors are as follows:

Each of the executive Directors has not entered into any service contract with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

The non-executive Director entered into a letter of appointment with the Company and is not appointed for a specific term but is terminable by either party by given to the other one month's prior notice in writing and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for an initial term of one year and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

Save as aforesaid, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

EMOLUMENT POLICY

The emoluments of the Directors are recommended by the Remuneration Committee for the Board approval, having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or substantial shareholders of the Company or their respective close associates (as defined in the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, during the nine-month period ended 31 December 2016 and up to the date of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, holding companies and fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2016, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or Indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

LONG POSITIONS

(a) Ordinary shares of HK$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Wang Yonghong	Interest of a controlled corporation	229,948,000 (Note 1)	66.10
Zhonghong Holding Co., Ltd.	Interest of a controlled corporation	229,948,000 (Note 1)	66.10
Zhurong Global Limited	Beneficial owner	229,948,000 (Note 1)	66.10
Mason Resources Finance Limited	Security interest	229,948,000 (Note 2)	66.10
Mason Financial Holdings Limited	Interest of a controlled corporation	229,948,000 (Note 2)	66.10

Notes:

1. 229,948,000 shares are held by Zhurong Global Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Zhu Rong Hong Kong Investment Limited. Zhu Rong Hong Kong Investment Limited, a company incorporated in Hong Kong, is directly wholly owned by 珠海橫琴著融資產管理有限公司. 珠海橫琴著融資產管理有限公司, a company established in the PRC, is directly wholly owned by 中弘文化投資有限公司. 中弘文化投資有限公司, a company established in the PRC, is 80% directly owned by 北京中弘投資有限公司. 北京中弘投資有限公司, a company established in the PRC, is directly wholly owned by 北京永恒嘉業投資有限公司. 北京永恒嘉業投資有限公司, a company established in the PRC, is directly wholly owned by 北京中弘弘毅投資有限公司. 北京中弘弘毅投資有限公司, a company established in the PRC, is directly wholly owned by 中弘控股股份有限公司 (Zhonghong Holding Co., Ltd.*) ("Zhonghong") which is a company established in the PRC and its shares are listed on the Shenzhen Stock Exchange (stock code: 000979). Mr. Wang Yonghong, through one of his wholly-owned companies, 中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited*) was the controlling shareholder of Zhonghong and holds approximately 26.55% of the issued shares of Zhonghong.

2. The security charges entered into between Zhurong Global Limited and Mason Resources Finance Limited ("Mason Resources"), a company incorporated in Hong Kong, dated on 27 October 2016. Mason Resources is wholly owned by Main Choice Investments Limited ("Main Choice"), a company incorporated in the British Virgin Islands. Main Choice is wholly owned by Mason Financial Services Group Limited ("Mason Financial Services BVI"), a company incorporated in the British Virgin Islands. Mason Financial Services BVI is wholly owned by Mason Financial Services Group Limited ("Mason Financial Services Cayman"), a company incorporated in the Cayman Islands. Mason Financial Services Cayman is wholly owned by Mason Financial Holdings Limited, a company incorporated in Hong Kong.

* *For identification purposes only*

Save as disclosed above, as at 31 December 2016 the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003, the Company adopted a share option scheme (the "Share Option Scheme").

The Share Option Scheme expired on 17 February 2013 and the Company has not adopted any new share option scheme thereafter.

There was no any outstanding share option of the Company under the Share Option Scheme as at 1 April 2016 and 31 December 2016 respectively and no share option of the Company being granted, exercised, lapsed or cancelled during the period under review.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures" and "Share option" above, at no time during the nine-month period ended 31 December 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the nine-month period ended 31 December 2016.

EQUITY-LINKED AGREEMENTS

For the nine-month period ended 31 December 2016, save for the Share Option Scheme previously mentioned, the Company has not entered any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the period under review attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	10.2%
– five largest suppliers combined	38.6%
Sales	
– the largest customer	10.6%
– five largest customers combined	38.2%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

The related-party transactions set out in note 26 to the consolidated financial statements include transactions which did not constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of the related-party transactions entered into by Group during the nine-month period ended 31 December 2016 are set out in note 26 to the consolidated financial statements.

EVENTS AFTER THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2016

Save as disclosed in note 29 to the consolidated financial statements, the Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

The Company has complied with the Code Provisions as set out in the CG Code during the nine-month period ended 31 December 2016 except for the deviations from the Code Provisions A.1.8, A.2.1, C.2.5 and E.1.2 in respect of i) the arrangement of appropriate insurance cover in respect of legal action against Directors; ii) the separation of roles of the chairman of the Board (the "Chairman") and chief executive of the Company; iii) the internal audit function; and iv) the Chairman and the chairmen of the Board Committees should attend the annual general meeting of the Company respectively. Details are set out in the section headed "Corporate Governance Report" on pages 12 to 23 of this Annual Report.

DONATIONS

During the nine-month period ended 31 December 2016, the Group made charitable donations amounting to HK$1,500 (year ended 31 March 2016, HK$4,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules throughout the nine-month period ended 31 December 2016 and up to the date of this Annual Report.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. The audit committee currently comprises Mr. Ng Man Fai Matthew (Chairman), Mr. Wong Yik Chung John and Mr. Ernst Rudolf Zimmermann. The audit committee has reviewed and discussed with the management and the external auditor the financial reporting matters including the annual results for the nine-month period ended 31 December 2016.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Wu David Hang
Chairman and Chief Executive Officer

Hong Kong, 24 March 2017

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF ASCENT INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS CHANCO INTERNATIONAL GROUP LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ascent International Holdings Limited (formerly known as Chanco International Group Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 87, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 April 2016 to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the period from 1 April 2016 to 31 December 2016 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Net realisable value of inventories

Refer to Notes 5 and 14 to the consolidated financial statements and the accounting policy on inventories as shown in Note 4(f) to the consolidated financial statements.

The carrying amount of the Group's inventories as at 31 December 2016 was HK$35,512,000, and a write-down of inventories amounting to HK$370,000 was recognised in the Group's profit or loss for the period from 1 April 2016 to 31 December 2016.

In arriving at the carrying amount of the Group's inventories as at the end of reporting period and the amount of write-down of inventories during the period, management estimation on the net realisable value of inventories is required.

We have identified the net realisable value of inventories as a key audit matter because of the significance of the carrying amount of inventories; and because applying the Group's accounting policies in the net realisable value of inventories involves significant degree of estimation. Where the estimates of net realisable value exceed future selling prices or subsequent estimated net realisable value, a material write-down of inventories may arise.

Our response:

Our audit procedures were designed to challenge the application of the Group's accounting policy in relation to estimating the net realisable value of inventories as at 31 December 2016. These procedures included discussion with management on the accounting policy and procedures in respect of their review of write-down of inventories, analytical review procedures including analysis on the inventory turnover days and gross profit margin, and the following substantive procedures which were performed on a sampling basis:

– we observed the physical inventory count performed on the Group's inventories as at 31 December 2016 as part of the procedures for identifying obsolete or slowing moving inventories;

– we checked the ageing analysis of the Group's inventories which was used by management to identify those aged inventories with an indication of possible write-down of inventories;

– we checked the accuracy of the management calculation of write-down of inventory in accordance with the Group's accounting policy;

– we checked the net realisable value of inventories to supporting evidence such as sales invoices and sales orders which are subsequent to end of reporting period and representative of the subsequent selling prices of the inventories;

– we observed the physical condition of the long aged unused raw materials;

– we checked the historical usage of long aged raw materials during the period; and

– we checked the usage of raw materials and sale of finished goods subsequent to the end of reporting period.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate Number P04960

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2016 to 31 December 2016

	Notes	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Revenue	7	**83,256**	128,259
Cost of sales		**(54,003)**	(96,590)
Gross profit		**29,253**	31,669
Other income and gains		**281**	3,801
Selling and distribution costs		**(20,954)**	(28,593)
Administrative and other operating expenses		**(19,288)**	(31,448)
Impairment loss on property, plant and equipment	13	**–**	(1,660)
Loss before income tax expense	8	**(10,708)**	(26,231)
Income tax expense	11	**(87)**	(1,821)
Loss for the period/year attributable to owners of the Company		**(10,795)**	(28,052)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**–**	(516)
Exchange differences arising on translation of financial statements of operations outside Hong Kong		**(711)**	(2,591)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments		**–**	(1,621)
Other comprehensive income for the period/year		**(711)**	(4,728)
Total comprehensive income for the period/year attributable to owners of the Company		**(11,506)**	(32,780)
Loss per share	12		
– Basic		**(HK3.10 cents)**	(HK8.31 cents)
– Diluted		**(HK3.10 cents)**	(HK8.31 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
Non-current assets			
Property, plant and equipment	13	**963**	1,254
Deposits paid		**3,260**	4,478
		4,223	5,732
Current assets			
Inventories	14	**35,512**	40,488
Trade and bills receivables	15	**13,131**	8,244
Other receivables, deposits and prepayments		**5,124**	1,858
Amount due from a fellow subsidiary	17	**5**	–
Tax recoverable		**265**	276
Bank balances and cash		**21,475**	24,008
		75,512	74,874
Current liabilities			
Trade payables	16	**5,531**	6,285
Other payables and accrued charges		**13,654**	11,494
Amount due to a director	17	**121**	–
Amounts due to fellow subsidiaries	17	**4,180**	11
Amount due to an intermediate holding company	17	**5,590**	590
		29,076	18,380
Net current assets		**46,436**	56,494
Total assets less current liabilities		**50,659**	62,226
Non-current liabilities			
Deferred tax liabilities	18	**–**	61
Total net assets		**50,659**	62,165
Capital and reserves attributable to owners of the Company			
Share capital	19	**3,479**	3,479
Reserves	23	**47,180**	58,686
Total equity		**50,659**	62,165

On behalf of the Board

Wu David Hang
Executive Director

Hou Jian
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 31 December 2016

	Share capital HK$'000 (Note 19)	Share premium HK$'000 (Note 23(i))	Share option reserve HK$'000 (Note 23(ii))	Foreign exchange reserve HK$'000 (Note 23(v))	Statutory and discretionary reserves HK$'000 (Note)	Available-for-sale investments reserve HK$'000 (Note 23(iii))	Retained earnings/ (accumulated losses) HK$'000 (Note 23(iv))	Total HK$'000
At 1 April 2015	3,188	32,608	4,904	6,284	2,919	2,137	174,316	226,356
Loss for the year	–	–	–	–	–	–	(28,052)	(28,052)
Change in fair value of available-for-sale investments	–	–	–	–	–	(516)	–	(516)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	(2,591)	–	–	–	(2,591)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	(1,621)	–	(1,621)
Total comprehensive income for the year	–	–	–	(2,591)	–	(2,137)	(28,052)	(32,780)
Issue of shares on exercise of share options (Note 19(a))	291	21,200	(4,904)	–	–	–	–	16,587
Special interim dividend (Note 21)	–	–	–	–	–	–	(147,998)	(147,998)
Transfer between reserves	–	–	–	–	2,330	–	(2,330)	–
At 31 March 2016 and 1 April 2016	3,479	53,808	–	3,693	5,249	–	(4,064)	62,165
Loss for the period	–	–	–	–	–	–	(10,795)	(10,795)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	(711)	–	–	–	(711)
Total comprehensive income for the period	–	–	–	(711)	–	–	(10,795)	(11,506)
At 31 December 2016	**3,479**	**53,808**	**-**	**2,982**	**5,249**	**-**	**(14,859)**	**50,659**

Note:

The statutory and discretionary reserves are non-distributable and the transfers to these reserves are determined by the board of directors and in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"). These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital of the subsidiaries in the PRC upon approval from the relevant authorities.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2016 to 31 March 2016

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Cash flows from operating activities		
Loss before income tax expense	**(10,708)**	(26,231)
Adjustments for:		
Interest income	**(42)**	(1,608)
Dividend income from available-for-sale investments	**–**	(207)
Gain on disposal of available-for-sale investments	**–**	(1,621)
Depreciation of property, plant and equipment	**299**	1,908
Write-off of property, plant and equipment	**11**	20
Impairment loss on property, plant and equipment	**–**	1,660
Reversal of impairment loss on trade receivables	**(40)**	(125)
Write-down of inventories	**370**	4,264
Operating loss before working capital changes	**(10,110)**	(21,940)
Decrease/(increase) in deposits paid	**1,192**	(1,902)
Decrease in inventories	**3,317**	4,451
(Increase)/decrease in trade and bills receivables	**(5,547)**	5,747
(Increase)/decrease in other receivables, deposits and prepayments	**(3,282)**	6,288
Increase/(decrease) in trade payables	**896**	(1,681)
Increase/(decrease) in other payables and accrued charges	**2,374**	(1,170)
Cash used in operations	**(11,160)**	(10,207)
Hong Kong Profits Tax refunded	**–**	100
PRC Enterprise Income Tax paid	**(154)**	(1,931)
Net cash used in operating activities	**(11,314)**	(12,038)
Cash flows from investing activities		
Interest received	**42**	1,608
Purchases of property, plant and equipment	**(40)**	(2,791)
Proceeds from disposal of available-for-sale investments	**–**	7,720
Increase in amount due from a fellow subsidiary	**(5)**	–
Decrease in bank deposit with original maturity of over three months	**–**	15,488
Dividend received from available-for-sale investments	**–**	207
Net cash (used in)/generated from investing activities	**(3)**	22,232

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2016 to 31 March 2016

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Cash flows from financing activities		
Increase in amount due to a director	**121**	–
Increase in amounts due to fellow subsidiaries	**4,260**	11
Increase in amount due to an intermediate holding company	**5,000**	590
Proceeds from exercise of share options	**–**	16,587
Special interim dividend paid	**–**	(147,998)
Net cash generated from/(used in) financing activities	**9,381**	(130,810)
Net decrease in cash and cash equivalents	**(1,936)**	(120,616)
Cash and cash equivalents at beginning of period/year	**24,008**	145,946
Effect of exchange rate changes on cash and cash equivalents	**(597)**	(1,322)
Cash and cash equivalents at end of period/year represented by bank balances and cash	**21,475**	24,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

1. GENERAL

Ascent International Holdings Limited (formerly known as Chanco International Group Limited) (the "Company") was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Subsequent to the special resolution of the Company's shareholders passed on 10 June 2016, the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands certifying the change of the Company's name from "Chanco International Group Limited" to "Ascent International Holdings Limited" with effect from 14 June 2016. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 12 July 2016 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report. The Group, comprising the Company and its subsidiaries, is engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

The Company's immediate holding company is Zhurong Global Limited, a company incorporated in the British Virgin Islands (the "BVI"). The directors of the Company consider that the Company's ultimate holding company is Zhonghong Holding Co., Ltd. ("Zhonghong"), a company established in the PRC with its shares listed on the Shenzhen Stock Exchange (stock code: 000979), respectively; and its ultimate controlling party is Mr. Wang Yonghong, who holds approximately 26.55% of the issued shares of Zhonghong through one of his wholly-owned companies.

Due to the change of financial year end date from 31 March to 31 December in order to be co-terminus with the new ultimate holding company, the consolidated financial statements for the current period cover a nine-month period while the comparatives amounts for consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of twelve-month period, and therefore they are not entirely comparable.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – first effective on 1 April 2016

A number of amendments to HKFRSs are first effective for the current accounting period of the Group. The adoption of these amendments to HKFRSs has no material impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contract" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

HKFRS 16 – Leases (Continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis.

(c) *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) *Subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value using reducing balance method at the following principal annual rates:

Plant and machinery	– 30%
Furniture and fixtures	– 10% – 20%
Leasehold improvements	– Annual rates as determined by shorter of expected useful lives and the unexpired period of the leases
Motor vehicles	– 30%

The annual rates, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables, including deposits paid, trade and bills receivables, other receivables, deposits, amount due from a fellow subsidiary and bank balances and cash, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(iii) Financial liabilities

Financial liabilities at amortised cost, including trade payables, other payables and accrued charges, and amounts due to a director, fellow subsidiaries and an intermediate holding company, are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the sales of goods and the use of the Group's assets yielding interest and dividend, net of rebate and discounts. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

(h) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operations concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(j) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the statement of financial position. Final dividends are recognised as a liability when they are approved by the shareholders.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Write-down of inventories

Management estimate the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write down inventories to their net realisable values. Where the subsequent estimated net realisable value of inventories is less than the original estimate, a material write-down may arise.

Impairment loss on trade receivables

Impairment loss on trade receivables is made based on the evaluation of collectability and ageing analysis of accounts and on management's judgement by reference to the estimation of the future cash flow discounted at an original effective interest rate to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Manufacturing business	– Manufacturing and distribution of leather products
Retail business	– Retail of fashion apparel, footwear and leather accessories

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision makers for assessment of segment performance.

6. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

	Manufacturing business		Retail business		Total	
	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000	**For the period from 1 April 2016 to 31 December 2016 HK$'000**	For the year ended 31 March 2016 HK$'000	**For the period from 1 April 2016 to 31 December 2016 HK$'000**	For the year ended 31 March 2016 HK$'000
Revenue from external customers	**59,477**	96,877	**23,779**	31,382	**83,256**	128,259
Inter-segment revenue	**6,313**	7,976	**–**	–	**6,313**	7,976
Reportable segment revenue	**65,790**	104,853	**23,779**	31,382	**89,569**	136,235
Reportable segment loss	**(48)**	(16,510)	**(3,340)**	(6,627)	**(3,388)**	(23,137)
Depreciation of property, plant and equipment	**175**	265	**48**	1,510	**223**	1,775
Impairment loss on property, plant and equipment	**–**	–	**–**	1,660	**–**	1,660
Write-down/(reversal of write-down) of inventories	**517**	5,273	**(147)**	(1,009)	**370**	4,264
Additions to property, plant and equipment	**34**	115	**1**	2,639	**35**	2,754
Reportable segment assets	**58,177**	64,609	**14,574**	14,197	**72,751**	78,806
Reportable segment liabilities	**14,229**	14,841	**1,101**	1,181	**15,330**	16,022

6. SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of reportable segment revenues, loss, assets and liabilities

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Revenue		
Reportable segment revenue	**89,569**	136,235
Elimination of inter-segment revenue	**(6,313)**	(7,976)
Consolidated revenue	**83,256**	128,259
Loss before income tax expense		
Reportable segment loss	**(3,388)**	(23,137)
Elimination of inter-segment gains	**(973)**	(410)
Interest income	**42**	1,608
Dividend income from available-for-sale investments	**–**	207
Gain on disposal of available-for-sale investments	**–**	1,621
Unallocated corporate expenses (Note (i))	**(6,389)**	(6,120)
Consolidated loss before income tax expense	**(10,708)**	(26,231)
Depreciation of property, plant and equipment		
Reportable segment depreciation	**223**	1,775
Depreciation of unallocated property, plant and equipment	**76**	133
Consolidated depreciation of property, plant and equipment	**299**	1,908

6. SEGMENT REPORTING (CONTINUED)

(b) *Reconciliation of reportable segment revenues, loss, assets and liabilities (Continued)*

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Additions to property, plant and equipment		
Reportable segment additions	**35**	2,754
Unallocated additions to property, plant and equipment	**5**	37
Consolidated additions to property, plant and equipment	**40**	2,791
Assets		
Reportable segment assets	**72,751**	78,806
Tax recoverable	**265**	276
Unallocated corporate bank balances and cash	**3,969**	998
Unallocated deposit paid	**2,000**	–
Other unallocated corporate assets	**750**	526
Consolidated total assets	**79,735**	80,606
Liabilities		
Reportable segment liabilities	**15,330**	16,022
Amount due to a director	**121**	–
Amounts due to fellow subsidiaries	**4,180**	11
Amount due to an intermediate holding company	**5,590**	590
Deferred tax liabilities	**–**	61
Unallocated corporate liabilities (Note (ii))	**3,855**	1,757
Consolidated total liabilities	**29,076**	18,441

Notes:

(i) The amount represented unallocated corporate expenses that are not allocated to operating segments, including professional fees, directors' emoluments, employee costs, foreign exchange loss and other head office expenses.

(ii) The amount represented unallocated deposits received and accrued head office professional fees and staff costs.

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6. SEGMENT REPORTING (CONTINUED)

(c) *Geographical information*

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, i.e. property, plant and equipment.

	Revenue from external customers (Note)		**Property, plant and equipment**	
	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000	**31 December 2016 HK$'000**	31 March 2016 HK$'000
Hong Kong (place of domicile)	**29,296**	**40,437**	498	610
Europe	**17,855**	**27,573**	–	–
The PRC	**4,363**	**9,541**	465	644
The United States of America	**13,288**	**18,650**	–	–
Other countries	**18,454**	**32,058**	–	–
Total	**53,960**	**87,822**	465	644
	83,256	**128,259**	963	1,254

Note:

Revenues are attributed to countries on the basis of the customer's location.

(d) *Information about major customers*

Revenue from a major customer of the Group's manufacturing business segment accounted for 10% or more of the Group's revenue is set out below:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Customer A	**8,858**	N/A*

* Revenue from Customer A during the year ended 31 March 2016 contributed less than 10% of the total revenue of the Group.

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7. REVENUE

Revenue represents the net amounts received and receivable for goods sold to external customers, less returns and discount, if any, during the period/year.

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging/(crediting):

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Auditor's remuneration	**750**	580
Cost of inventories recognised as expenses	**54,003**	96,590
Employee costs, excluding directors' emoluments (Note 9)	**31,398**	44,818
Depreciation of property, plant and equipment	**299**	1,908
Write-off of property, plant and equipment	**11**	20
Impairment loss on property, plant and equipment	**–**	1,660
Reversal of impairment loss on trade receivables, net	**(40)**	(125)
Write-down of inventories, net (included in cost of sales)	**370**	4,264
Foreign exchange loss, net	**52**	4,957
Interest income	**(42)**	(1,608)
Dividend income from available-for-sale investments	**–**	(207)
Gain on disposal of available-for-sale investments	**–**	(1,621)

9. EMPLOYEE COSTS, EXCLUDING DIRECTORS' EMOLUMENTS

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Salaries and other benefits	**28,841**	41,487
Retirement benefits scheme contributions	**2,557**	3,331
	31,398	44,818

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10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) *Directors' emoluments*

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Directors' fees	**351**	228
Other emoluments:		
Salaries and other benefits	**–**	3,637
Retirement benefits scheme contributions	**–**	45
	351	3,910

Details of directors' emoluments for the period from 1 April 2016 to 31 December 2016 are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the period from 1 April 2016 to 31 December 2016				
Executive directors:				
Wu David Hang	–	–	–	–
Hou Jian	–	–	–	–
Independent non-executive directors:				
Wong Yik Chung John	108	–	–	108
Ernst Rudolf Zimmermann	135	–	–	135
Ng Man Fai Matthew	108	–	–	108
Total	351	–	–	351

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2016				
Executive directors:				
Wu David Hang^	–	–	–	–
Hou Jian^	–	–	–	–
Lee Wing Yin*	–	–	–	–
Ngan Man Ho*	–	–	–	–
Chan King Hong Edwin#	–	1,237	18	1,255
Chan King Yuen Stanley#	–	1,237	18	1,255
Chan Wai Po Rebecca#	–	1,163	9	1,172
Independent non-executive directors:				
Wong Yik Chung John^	36	–	–	36
Ernst Rudolf Zimmermann^	45	–	–	45
Ng Man Fai Matthew^	36	–	–	36
Lung Hung Cheuk*	13	–	–	13
Leung Ka Tin*	13	–	–	13
Li Wai Ming*	13	–	–	13
Chau Cynthia Sin Ha#	24	–	–	24
Fong Pui Sheung David#	24	–	–	24
Or Kam Chung Janson#	24	–	–	24
Total	228	3,637	45	3,910

^ Mr. Wu David Hang and Mr. Hou Jian were appointed as executive directors, and Mr. Wong Yik Chung John, Mr. Ernst Rudolf Zimmermann and Mr. Ng Man Fai Matthew were appointed as independent non-executive directors, on 23 December 2015.

* Mr. Lee Wing Yin, Mr. Ngan Man Ho, Mr. Lung Hung Cheuk, Mr. Leung Ka Tin and Mr. Li Wai Ming were appointed as directors of the Company on 21 September 2015 and resigned on 23 December 2015.

Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley, Ms. Chan Wai Po Rebecca, Ms. Chau Cynthia Sin Ha, Mr. Fong Pui Sheung David and Mr. Or Kam Chung Janson resigned as directors of the Company on 21 September 2015.

No directors waived any emoluments during the period from 1 April 2016 to 31 December 2016 and year ended 31 March 2016.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the period from 1 April 2016 to 31 December 2016 are not directors of the Company. For the year ended 31 March 2016, the five highest paid individuals included three resigned directors whose emoluments were reflected in the analysis presented above. The emoluments of the top five (year ended 31 March 2016: remaining two) individuals are as follows:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Salaries and other benefits	**2,484**	1,693
Discretionary bonuses	**–**	285
Retirement benefits scheme contributions	**97**	28
	2,581	2,006

The emoluments of the top five (year ended 31 March 2016: remaining two) individuals were within the following bands:

	For the period from 1 April 2016 to 31 December 2016 No. of individuals	For the year ended 31 March 2016 No. of individuals
Nil to HK$1,000,000	**5**	1
HK$1,000,001 to HK$1,500,000	**–**	1

During the period from 1 April 2016 to 31 December 2016 and year ended 31 March 2016, no emolument was paid to the directors or any of the five highest paid individuals as an inducement to join or upon joining by the Group or as compensation for loss of office.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(c) The emoluments paid or payable to members of senior management (including directors) were within the following bands:

	For the period from 1 April 2016 to 31 December 2016 No. of individuals	For the year ended 31 March 2016 No. of individuals
Nil to HK$1,000,000	**7**	18
HK$1,000,001 to HK$1,500,000	**–**	4

11. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the period/year	**82**	157
– under-provision in respect of prior years	**66**	343
	148	500
PRC withholding tax	**–**	1,321
Deferred tax (Note 18)	**(61)**	–
Income tax expense	**87**	1,821

No provision for Hong Kong Profits Tax has been made as the Group has sustained estimated tax losses for the period from 1 April 2016 to 31 December 2016 and year ended 31 March 2016.

PRC Enterprise Income Tax rate for the Company's subsidiaries in the PRC is 25% (for the year ended 31 March 2016: 25%).

PRC withholding tax for the period from the year ended 31 March 2016 was calculated at 10% on the dividend distributed by a subsidiary of the Company in the PRC to its overseas immediate holding company. No PRC withholding tax was paid during the period from 1 April 2016 to 31 December 2016 as there was no dividend distributed by the subsidiaries of the Company in the PRC.

11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the period/year can be reconciled to the loss before income tax expense per the consolidated statement of comprehensive income as follows:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Loss before income tax expense	**(10,708)**	(26,231)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (year ended 31 March 2016: 16.5%)	**(1,767)**	(4,328)
Tax effect of expenses not deductible for tax purpose	**2,397**	2,765
Tax effect of income not taxable for tax purpose	**(458)**	(790)
Under-provision in respect of prior years	**66**	343
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(685)**	349
Tax effect of tax losses not recognised	**1,817**	3,134
Utilisation of tax losses previously not recognised	**(1,025)**	(1,317)
Tax effect of other deductible temporary difference not recognised	**(258)**	470
PRC withholding tax	**–**	1,321
Others	**–**	(126)
Income tax expense	**87**	1,821

12. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the Group's loss for the period from 1 April 2016 to 31 December 2016 of approximately HK$10,795,000 (year ended 31 March 2016: HK$28,052,000) attributable to owners of the Company and the weighted average number of approximately 347,904,000 (year ended 31 March 2016: 337,488,000) ordinary shares in issue during the period from 1 April 2016 to 31 December 2016.

For the period from 1 April 2016 to 31 December 2016, basic and diluted loss per share are equal as there are no potential dilutive ordinary shares in issue for the period. For the year ended 31 March 2016, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the outstanding share options had an anti-dilutive effect on the basic loss per share for that year.

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13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2016	9,591	6,081	14,060	2,529	32,261
Additions	–	40	–	–	40
Write-off	(2,187)	(6)	(406)	–	(2,599)
Exchange realignment	(144)	(9)	–	(43)	(196)
At 31 December 2016	7,260	6,106	13,654	2,486	29,506
Accumulated depreciation and impairment					
At 1 April 2016	9,377	5,861	13,691	2,078	31,007
Depreciation	59	51	72	117	299
Write-off	(2,176)	(6)	(406)	–	(2,588)
Exchange realignment	(136)	(6)	–	(33)	(175)
At 31 December 2016	7,124	5,900	13,357	2,162	28,543
Net book value					
At 31 December 2016	136	206	297	324	963
Cost					
At 1 April 2015	9,718	6,139	12,424	2,578	30,859
Additions	43	228	2,517	3	2,791
Write-off	–	(275)	(881)	–	(1,156)
Exchange realignment	(170)	(11)	–	(52)	(233)
At 31 March 2016	9,591	6,081	14,060	2,529	32,261
Accumulated depreciation and impairment					
At 1 April 2015	9,441	5,841	11,577	1,914	28,773
Depreciation	94	101	1,516	197	1,908
Impairment losses	–	181	1,479	–	1,660
Write-off	–	(255)	(881)	–	(1,136)
Exchange realignment	(158)	(7)	–	(33)	(198)
At 31 March 2016	9,377	5,861	13,691	2,078	31,007
Net book value					
At 31 March 2016	214	220	369	451	1,254

14. INVENTORIES

	31 December 2016 HK$'000	31 March 2016 HK$'000
Raw materials	**25,815**	28,114
Work in progress	**1,299**	4,547
Finished goods	**8,398**	7,827
	35,512	40,488

15. TRADE AND BILLS RECEIVABLES

	31 December 2016 HK$'000	31 March 2016 HK$'000
Trade and bills receivables	**13,885**	9,038
Less: impairment loss	**(754)**	(794)
	13,131	8,244

Customers are generally granted with credit terms of 30 to 90 days. The ageing analysis of trade and bills receivables based on invoice date (net of impairment loss) at the end of reporting period is as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Less than 30 days	**6,291**	4,643
31 to 60 days	**5,296**	612
61 to 90 days	**685**	1,965
91 to 120 days	**2**	501
121 to 365 days	**854**	438
More than 365 days	**3**	85
	13,131	8,244

As at 31 December 2016, trade and bills receivables of approximately HK$10,899,000 (31 March 2016: HK$4,549,000) are neither past due nor impaired. Trade and bills receivables that are neither past due nor impaired related to customers for whom there is no recent history of default.

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

The ageing of trade and bills receivables which are past due but not impaired is as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Less than 30 days past due	**1,259**	705
31–60 days past due	**113**	1,965
61–90 days past due	**2**	502
91–120 days past due	**110**	57
121–365 days past due	**748**	381
More than 365 days	**–**	85
	2,232	3,695

Trade and bills receivables that are past due but not impaired related to customers that have good creditworthiness or good track record with the Group. Based on past experience, management considered no impairment is necessary as there has not been a significant change in credit quality of these balances, which are still considered fully recoverable.

The movement in the impairment loss on trade and bills receivables during the period/year is as follows:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
At beginning of the period/year	**794**	919
Reversal of impairment loss recognised	**(40)**	(125)
At end of the period/year	**754**	794

The Group recognised impairment loss on individual assessment based on the accounting policy stated in Note 4(e)(ii).

16. TRADE PAYABLES

The ageing analysis of trade payables at the end of reporting period is as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Less than 30 days	**2,566**	3,100
31 to 60 days	**1,377**	671
61 to 90 days	**689**	1,128
91 to 120 days	**160**	1,042
121 to 365 days	**419**	174
More than 365 days	**320**	170
	5,531	6,285

17. AMOUNT DUE FROM A FELLOW SUBSIDIARY AND AMOUNTS DUE TO A DIRECTOR, FELLOW SUBSIDIARIES AND AN INTERMEDIATE HOLDING COMPANY

The amounts are unsecured, interest free and repayable on demand.

18. DEFERRED TAX LIABILITIES

Deferred tax liabilities recognised by the Group and movements thereof are as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2015, 31 March 2016 and 1 April 2016	**61**
Credited to profit or loss	**(61)**
31 December 2016	**–**

At 31 December 2016, the Group had other deductible temporary difference of approximately HK$5,335,000 (31 March 2016: HK$6,738,000) and unused tax losses of approximately HK$69,646,000 (31 March 2016: HK$65,263,000). The deductible temporary difference and unused tax losses of approximately HK$5,335,000 (31 March 2016: HK$6,738,000) and HK$64,918,000 (31 March 2016: HK$63,633,000), respectively, can be carried forward indefinitely, while the remaining unused tax losses of approximately HK$4,728,000 (31 March 2016: HK$1,630,000) will expire in five years from the respective date of incurrence. Deferred tax assets have not been recognised in relation to such deductible temporary difference and unused tax losses due to unpredictability of future profit streams.

18. DEFERRED TAX LIABILITIES (CONTINUED)

No deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$12,267,000 (31 March 2016: HK$12,016,000) of a subsidiary in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in the foreseeable future.

At 31 December 2016, the Group did not have other material unrecognised deferred tax assets and liabilities (31 March 2016: Nil).

19. SHARE CAPITAL

(a) *Authorised and issued share capital*

	Number of Shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 December 2016	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2015	318,804,000	3,188
Issue of shares on exercise of share options (Note)	29,100,000	291
At 31 March 2016, 1 April 2016 and 31 December 2016	**347,904,000**	**3,479**

Note:

During the year ended 31 March 2016, 29,100,000 new ordinary shares of par value of HK$0.01 each were issued to the share option holders of the Company at a conversion price of HK$0.57 each. The conversion gave rise to a credit of approximately HK$21,200,000 to share premium account during the year ended 31 March 2016.

(b) *Capital management policy*

The Group regards the share capital and reserves attributable to owners of the Company as its capital which amounts to approximately HK$50,659,000 (31 March 2016: HK$62,165,000) as shown in the consolidated statement of financial position as at 31 December 2016. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may raise bank borrowings and adjust the amount of dividends paid to shareholders.

No changes were made in the objectives or policies during the period from 1 April 2016 to 31 December 2016.

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20. SHARE OPTIONS

The Company's share option scheme (the "Share Option Scheme"), which was approved by the shareholders on 18 February 2003, has expired on 17 February 2013 and the Group has not adopted any new share option scheme thereafter.

There was no outstanding share option as at 31 December 2016 and 31 March 2016.

The following table discloses movements in the Company's share options during the year ended 31 March 2016.

Name or category of participant	Date of grant	Number of options outstanding as at 1 April 2015	Exercised during the year	Number of options outstanding as at 31 March 2016	Exercisable period	Exercise price per share HK$
(a) Executive directors						
Chan King Hong Edwin#	22 July 2009	8,700,000	(8,700,000)	–	22 July 2009 – 21 July 2019	0.570
Chan King Yuen Stanley#	22 July 2009	8,700,000	(8,700,000)	–	22 July 2009 – 21 July 2019	0.570
Chan Wai Po Rebecca#	22 July 2009	8,700,000	(8,700,000)	–	22 July 2009 – 21 July 2019	0.570
		26,100,000	(26,100,000)			
(b) Employees, in aggregate	22 July 2009	3,000,000	(3,000,000)	–	22 July 2009 – 21 July 2019	0.570
Total		29,100,000	(29,100,000)	–		
Weighted average exercise price		HK$0.570	HK$0.570	n/a		

Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca resigned as executive directors of the Company on 21 September 2015.

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2016 was HK$1.8 per share.

21. DIVIDENDS

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Special interim dividend of HK$Nil (for the year ended 31 March 2016: HK$0.4254) per ordinary share	–	147,998

The directors of the Company do not recommend the payment of interim or final dividends for the period from 1 April 2016 to 31 December 2016 and year ended 31 March 2016.

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
Non-current assets			
Investments in subsidiaries		**55,844**	48,570
Deposit paid		**2,000**	–
		57,844	48,570
Current assets			
Other receivables		**394**	113
Amount due from a subsidiary		**1**	–
Bank balances and cash		**2,138**	990
		2,533	1,103
Current liabilities			
Accrued charges and other payables		**1,260**	1,756
Amounts due to subsidiaries		**839**	824
Amount due to a director		**121**	–
Amount due to a fellow subsidiary		**2,171**	11
Amount due to an intermediate holding company		**5,590**	590
		9,981	3,181
Net current liabilities		**(7,448)**	(2,078)
Total net assets		**50,396**	46,492
Capital and reserves			
Share capital	19	**3,479**	3,479
Reserves	23	**46,917**	43,013
Total equity		**50,396**	46,492

On behalf of the Board

Wu David Hang
Executive Director

Hou Jian
Executive Director

23. RESERVES

The Company

	Share premium HK$'000 (Note (i))	Share option reserve HK$'000 (Note (ii))	Available-for-sale investments reserve HK$'000 (Note (iii))	Retained earnings/ (accumulated losses) HK$'000 (Note (iv))	Total HK$'000
At 1 April 2015	80,779	4,904	2,137	1,364	89,184
Profit for the year	–	–	–	87,668	87,668
Change in fair value of available-for-sale investments	–	–	(516)	–	(516)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments	–	–	(1,621)	–	(1,621)
Total comprehensive income for the year	–	–	(2,137)	87,668	85,531
Issue of shares on exercise of share options (Note 19(a))	21,200	(4,904)	–	–	16,296
Special interim dividend (Note 21)	–	–	–	(147,998)	(147,998)
At 31 March 2016 and 1 April 2016	101,979	–	–	(58,966)	43,013
Profit and total comprehensive income for the period	–	–	–	3,904	3,904
At 31 December 2016	**101,979**	**–**	**–**	**(55,062)**	**46,917**

Notes:

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
(i) Share premium	Amount subscribed for share capital in excess of nominal value.
(ii) Share option reserve	Cumulative expenses recognised on the granting of share options to participant over the vesting period.
(iii) Available-for-sale investments reserve	Fair value changes arising on recognising financial assets classified as available-for-sale investments at fair value.
(iv) Retained earnings/(accumulated losses)	Cumulative net gains and losses recognised in profit or loss.
(v) Foreign exchange reserve	Gains/losses arising on retranslating the net assets of operations outside Hong Kong into presentation currency.

24. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation or establishment/ operations	Issued share capital/paid-up registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Chanco International Holding Limited	The BVI/Hong Kong	Ordinary shares United States Dollars ("USD") 1,000	100%	–	Investment holding
Leisure State Limited	The BVI/Hong Kong	Ordinary shares USD50,000	100%	–	Investment holding
Sun Ray Manufactory, Limited	Hong Kong	Non-voting deferred shares HK$6 Ordinary shares HK$2	–	100%	Manufacturing and trading of leather products
Elite Leatherware Company Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Trading of leather products
Talent Union Development Limited	The BVI/Hong Kong	Ordinary shares USD8	–	100%	Investment holding
Dongguan Ngai Luen Leather Goods Company Limited (Note (b))	The PRC	Paid up registered capital HK$5,600,000	–	100%	Manufacturing and trading of leather products
Dongguan Sze Cheik Leather Goods Company Limited (Note (b))	The PRC	Paid up registered capital HK$5,000,000	–	100%	Manufacturing and trading of leather products
Amid Success Holdings Limited	The BVI/Hong Kong	Ordinary share USD1	–	100%	Investment holding
Urban Stranger Company Limited	Hong Kong	Ordinary share HK$1	–	100%	Retail of fashion apparel, footwear and leather accessories
Zhonghong Cultural Recreation Holdings Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Inactive
中璽文商旅集團有限公司 (Note (a))	The PRC	– (Note (c))	–	100%	Inactive
中璽文商旅商業運營管理有限公司 (Note (a))	The PRC	– (Note (c))	–	100%	Inactive

24. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or establishment/ operations	Issued share capital/paid-up registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
中璽物業管理有限公司 (Note (a))	The PRC	– (Note (c))	–	100%	Inactive
中璽酒店管理有限公司 (Note (a))	The PRC	– (Note (c))	–	100%	Inactive
中璽養老服務管理有限公司 (Note (a))	The PRC	– (Note (c))	–	100%	Inactive
中璽主題公園管理有限公司 (Note (a))	The PRC	– (Note (c))	–	100%	Inactive

Notes:

(a) These subsidiaries were newly incorporated/established during the period from 1 April 2016 to 31 December 2016.

(b) These subsidiaries are wholly foreign-owned enterprises established in the PRC.

(c) As at 31 December 2016, the entire registered capital of 中璽文商旅集團有限公司, 中璽文商旅商業運營管理有限公司, 中璽物業管理有限公司, 中璽酒店管理有限公司, 中璽養老服務管理有限公司 and 中璽主題公園管理有限公司 amounting to Renminbi ("RMB") 100,000,000, RMB50,000,000, RMB50,000,000, RMB50,000,000, RMB50,000,000 and RMB50,000,000 respectively have not yet been paid-up by the Group. In accordance with the relevant laws and regulations of the PRC, the unpaid capital contribution is required to paid up on or before 25 April 2036, 1 June 2036, 30 May 2036, 30 May 2036, 1 June 2036 and 30 May 2036 respectively.

All of the above are limited liability companies.

None of the subsidiaries had any debt securities subsisting at the end of reporting period or at any time during the period/year.

25. OPERATING LEASES

Operating lease payments represent rental payable by the Group for its offices, retail outlets and production plants. Leases are negotiated and rentals are fixed for an average term of one to five years (31 March 2016: one to five years), and the leases for certain retail outlets include contingent rents, which are determined by applying pre-determined percentages to sales less the basic rentals of the respective leases.

The lease payments recognised as expenses during the period/year are as follows:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Minimum lease payments	**13,226**	18,564
Contingent rents	**70**	60
	13,296	18,624

The total future minimum lease payments are due as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Not later than one year	**11,653**	15,287
Later than one year and not later than five years	**13,247**	14,803
	24,900	30,090

The above lease commitments only include commitments for basic rentals, and do not include commitments for contingent rents, if any, as it is not practical to determine in advance the amount of such additional rentals.

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the period/year:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	**585**	780

Mr. Chan Woon Man is a director of a subsidiary of the Company and was previously a substantial shareholder of the Company up to 7 September 2015. Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man.

(b) *Compensation of key management personnel*

The remuneration of directors and other members of key management during the period/year was as follows:

	For the period from 1 April 2016 to 31 December 2016 HK$'000	For the year ended 31 March 2016 HK$'000
Short-term benefits	**483**	6,230
Post employment benefits	**7**	88
	490	6,318

27. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

28. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, credit and liquidity risks arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

(i) *Currency risk*

Several subsidiaries of the Company have foreign currency sales and purchases, mainly denominated in USD and RMB, which expose the Group to currency risk. Certain financial assets and liabilities of the Group are also denominated in USD and RMB. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. In this regard, the Group does not expose to significant currency risk arising from USD.

The carrying amounts of the Group's financial instruments denominated in RMB at the end of reporting period are as follows:

	Liabilities		Assets	
	31 December 2016 HK$'000	31 March 2016 HK$'000	**31 December 2016 HK$'000**	31 March 2016 HK$'000
RMB	**183**	959	**11**	955

It is estimated that an appreciation or depreciation of 2% (31 March 2016: 2%) in RMB against HK$ at 31 December 2016, with all other variables held constant, would have insignificant effects on the loss or other components of equity of the Group for the period from 1 April 2016 to 31 December 2016 and year ended 31 March 2016.

The Group currently does not have a foreign currency hedging policy. However, management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's exposure to cash flow interest rate risk is mainly attributable to its interest-bearing bank deposits. The interest rate of bank deposits is subject to changes as determined by banks. The Group currently does not have an interest rate hedging policy and will consider to enter into interest rate hedging should the need arise.

At 31 December 2016, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the loss for the period and decreased/increased the accumulated losses by approximately HK$47,000 (31 March 2016: HK52,000).

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk

The Group has concentration of credit risk on trade and bills receivables as the amounts due from its three (31 March 2016: three) customers as at 31 December 2016 amounted to approximately HK$5,598,000 (31 March 2016: HK$3,298,000) which accounted for approximately 43% (31 March 2016: 40%) of the trade and bills receivables.

The Group has policies in place to determine credit limit, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts from customers. In this regard, the directors of the Company consider that the Group does not expose to significant credit risk.

The credit risk for cash at banks is limited because the counterparties are banks with high credit-ratings.

(iv) Liquidity risk

Internally generated cash flows are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes maintaining adequate bank balances to meet its requirement of operations. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. In addition, its ultimate holding company has undertaken to provide continuing financial support to the Group to meet its financial obligations as and when they fall due. The Group's financial liabilities comprise trade payables, other payables and accrued charges and amounts due to a director, fellow subsidiaries and an intermediate holding company maturing in less than one year and their contractual undiscounted payments approximate their carrying amounts included in the consolidated statement of financial position.

(v) Fair values

As at 31 December 2016 and 31 March 2016, the Group has no financial instruments carried at fair value. The directors of the Company consider the fair values of the Group's financial assets and financial liabilities approximate their carrying amounts as at the end of each reporting period.

29. SIGNIFICANT EVENT DURING THE PERIOD AND AFTER THE END OF THE REPORTING PERIOD

On 13 December 2016, the Company entered into a memorandum of understanding with two individuals who are third parties independent of the Company and its connected persons (the "Vendors"), pursuant to which the Vendors intended to sell and the Company intended to acquire not less than 51% of the issued share capital of a company incorporated in Hong Kong. The consideration would be subject to further negotiation between the Vendors and the Company. There is no legally binding agreement entered into for this intended acquisition up to the date of approval of the consolidated financial statements.

30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 March 2017.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial periods is set out as follows:

	Period from 1 April 2016 to 31 December		**Year ended 31 March**		
	2016	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Loss for the period/year	**(10,795)**	(28,052)	(25,780)	(38,866)	(2,569)

	As at 31 December		**As at 31 March**		
	2016	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**79,735**	80,606	247,897	273,496	308,952
Total liabilities	**(29,076)**	(18,441)	(21,541)	(23,140)	(20,515)
Total equity	**50,659**	62,165	226,356	250,356	288,437