



ASCENT

INTERNATIONAL HOLDINGS LIMITED
INTERIM REPORT

2017

(Incorporated in the Cayman Islands with limited liability)

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

Bank of China (Hong Kong) 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

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor

24 Shedden Road, P.O.Box 1586

George Town

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

COMPANY WEBSITE

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

STOCK CODE

264

FINANCIAL HIGHLIGHTS

For the six months ended

	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
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Operating results

Revenue	48,322	51,229
Gross profit	26,885	13,183
Loss before income tax expense	(10,616)	(11,095)
Loss for the period	(10,621)	(11,452)

Business performance ratios

Gross profit margin	55.6%	25.7%
Net profit margin	N/A	N/A
Return on shareholders' equity	N/A	N/A
Current ratio	2.05	3.25
Quick ratio	1.12	1.57

Share data

Shares in issue ('000)	347,904	347,904
Shares closing price (as at period end date)	HK\$0.94	HK\$1.18
Market capitalization (HK\$'000)	327,030	410,527
Loss per share	(HK3.05 cents)	(HK3.29 cents)
Net asset value per share	HK\$0.12	HK\$0.15

The Board of Directors (the “Directors”) of Ascent International Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	<i>Notes</i>	Six months ended	
		30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
Revenue	4	48,322	51,229
Cost of sales		(21,437)	(38,046)
Gross profit		26,885	13,183
Other income and gains		235	776
Selling and distribution costs		(11,717)	(13,984)
Administrative and other operating expenses		(26,019)	(11,070)
Loss before income tax expense	5	(10,616)	(11,095)
Income tax expense	6	(5)	(357)
Loss for the period attributable to owners of the Company		(10,621)	(11,452)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
<i>Notes</i>		
Other comprehensive income		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of financial statements of operations outside Hong Kong	729	(109)
Other comprehensive income for the period	729	(109)
Total comprehensive income for the period attributable to owners of the Company	(9,892)	(11,561)
Loss per share		
– Basic	8	(HK3.05 cents) (HK3.29 cents)
– Diluted	8	(HK3.05 cents) (HK3.29 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		30 June 2017	31 December 2016
	<i>Notes</i>	Unaudited HK\$'000	Audited HK\$'000
Non-current assets			
Property, plant and equipment		727	963
Deposits paid		1,210	3,260
		1,937	4,223
Current assets			
Inventories		34,214	35,512
Trade and bills receivables	9	8,912	13,131
Other receivables, deposits and prepayments		4,693	5,124
Amounts due from fellow subsidiaries		1,231	5
Tax recoverable		274	265
Bank balances and cash		26,636	21,475
		75,960	75,512
Current liabilities			
Trade payables	10	5,821	5,531
Other payables and accrued charges		17,935	13,654
Amount due to a director		10	121
Amounts due to fellow subsidiaries		7,774	4,180
Amount due to an intermediate holding company		5,590	5,590
		37,130	29,076
Net current assets		38,830	46,436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2017

		30 June 2017	31 December 2016
	<i>Notes</i>	Unaudited HK\$'000	Audited HK\$'000
Total Net Assets		40,767	50,659
Capital and reserves attributable to owners of the Company			
Share capital	11	3,479	3,479
Reserves		37,288	47,180
Total Equity		40,767	50,659

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share capital Unaudited <i>HK\$'000</i>	Share premium Unaudited <i>HK\$'000</i>	Foreign exchange reserve Unaudited <i>HK\$'000</i>	Statutory and discretionary reserve Unaudited <i>HK\$'000</i>	Accumulated losses Unaudited <i>HK\$'000</i>	Total Unaudited <i>HK\$'000</i>
At 1 April 2016	3,479	53,808	3,693	5,249	(4,064)	62,165
Total comprehensive income for the period	-	-	(109)	-	(11,452)	(11,561)
At 30 September 2016	3,479	53,808	3,584	5,249	(15,516)	50,604
At 1 January 2017	3,479	53,808	2,982	5,249	(14,859)	50,659
Total comprehensive income for the period	-	-	729	-	(10,621)	(9,892)
At 30 June 2017	3,479	53,808	3,711	5,249	(25,480)	40,767

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
Net cash from/(used in) operating activities	1,433	(4,531)
Net cash from/(used in) investing activities	34	(46)
Net cash from financing activities	3,383	1,634
Net increase/(decrease) in cash and cash equivalents	4,850	(2,943)
Cash and cash equivalents at the beginning of the period	21,475	24,008
Effect of foreign exchange rate changes on cash and cash equivalents	311	271
Cash and cash equivalents at the end of the period	26,636	21,336

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL

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 (“Stock Exchange”). As at 30 June 2017, the Company’s immediate holding company was Zhurong Global Limited, a company incorporated in the British Virgin Islands; and the directors of the Company consider that its ultimate holding company was Zhonghong Holding Co., Ltd. (“Zhonghong”), a company established in the People’s Republic of China (the “PRC”) with its shares listed on the Shenzhen Stock Exchange (stock code: 000979), and its ultimate controlling party was Mr. Wang Yonghong, who holds approximately 26.55% of the issued shares of Zhonghong through one of his wholly owned companies. The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

Pursuant to a resolution passed by the board of directors of the Company dated 8 December 2016, the Company’s financial year end date has been changed from 31 March to 31 December. Accordingly, these are the first condensed consolidated interim financial statements with a six-month period ended 30 June. The comparative figures for the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and related notes cover a period of six months from 1 April 2016 to 30 September 2016 and are not comparable with those of the current interim period.

The unaudited condensed interim financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim financial statements have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the period from 1 April 2016 to 31 December 2016.

In the current interim period, the Group has applied a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for current accounting period of the Group. The adoption of these amendments to HKFRSs has no material impact on the Group’s financial statements.

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
HKFRS 16	Leases ²

¹ Effective for annual periods beginning on or after 1 January 2018

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

The Group is in the process of making an assessment of the potential impact of these pronouncements. 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.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for (i) goods sold to external customers, less returns and discount, if any, and (ii) property management fees from fellow subsidiaries, during the period.

The principal activities of the Group are manufacture and distribution of leather products, retail of fashion apparel, footwear and leather accessories and provision of property management services.

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

The Group has three 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 | – | Manufacture and distribution of leather products |
| Retail business | – | Retail of fashion apparel, footwear and leather accessories |
| Property management business | – | Provision of property management services |

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' result that is used by the chief operating decision makers for assessment of segment performance.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Manufacturing business		Retail business		Property management business		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000						
Revenue from external customers	24,740	35,803	14,147	15,426	9,435	-	48,322	51,229
Inter-segment revenue	2,519	4,086	-	-	-	-	2,519	4,086
Reportable segment revenue	27,259	39,889	14,147	15,426	9,435	-	50,841	55,315
Reportable segment loss	(2,695)	(7,701)	(875)	(2,813)	(227)	-	(3,797)	(10,514)
Elimination of inter-segment losses							98	-
Interest income							38	27
Unallocated other income and gains							-	749
Unallocated corporate expenses (Note (i))							(6,955)	(1,357)
Loss before income tax expense							(10,616)	(11,095)
Income tax expense							(5)	(357)
Loss for the period							(10,621)	(11,452)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Manufacturing business		Retail business		Property management business		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	54,967	58,177	14,039	14,574	6,268	-	75,274	72,751
Tax recoverable							274	265
Unallocated bank balances and cash							1,729	3,969
Other unallocated corporate assets							620	2,750
							77,897	79,735
Reportable segment liabilities	13,258	14,229	930	1,101	7,244	-	21,432	15,330
Amount due to a director							10	121
Amounts due to fellow subsidiaries							7,774	4,180
Amount due to an intermediate holding company							5,590	5,590
Unallocated corporate liabilities (Note (ii))							2,324	3,855
							37,130	29,076

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.

5. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
Cost of inventories recognised as expenses	21,437	38,046
Depreciation of property, plant and equipment	248	469
Foreign exchange loss, net	–	437
Operating lease rentals in respect of land and buildings	8,012	9,370
Staff costs (excluding directors' emoluments)	25,375	14,284
and crediting:		
Interest income	38	27
Foreign exchange gain, net	37	–

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
Current taxation:		
– PRC enterprise income tax	5	357

No provision for Hong Kong profits tax has been made for the period as the Group has sustained estimated tax losses for both periods. The PRC enterprise income tax rate for the Company's subsidiaries in the PRC is 25% (six months ended 30 September 2016: 25%).

7. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 and 30 September 2016.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the period of HK\$10,621,000 (six months ended 30 September 2016: loss of HK\$11,452,000) attributable to owners of the Company and weighted average number of 347,904,000 (six months ended 30 September 2016: 347,904,000) ordinary shares in issue during the period.

8. LOSS PER SHARE (CONTINUED)

For the six months ended 30 June 2017 and 30 September 2016, diluted loss per share is equal to the basic loss per share for the respective periods as there is no potential dilutive ordinary share in issue for the six months ended 30 June 2017 and 30 September 2016.

9. TRADE AND BILLS RECEIVABLES

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Trade and bills receivables	9,666	13,885
Less: impairment loss	(754)	(754)
	8,912	13,131

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Less than 30 days	6,665	6,291
31-60 days	1,398	5,296
61-90 days	118	685
91-120 days	3	2
121-365 days	723	854
More than 365 days	5	3
	8,912	13,131

10. TRADE PAYABLES

Details of the ageing analysis are as follows:

	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
Less than 30 days	2,771	2,566
31-60 days	1,924	1,377
61-90 days	380	689
91-120 days	182	160
121-365 days	314	419
More than 365 days	250	320
	5,821	5,531

11. SHARE CAPITAL*Authorised and issued share capital*

	Number of shares	Amount HK\$'000
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Ordinary shares of HK\$0.01 each

Authorised:

At 1 April 2016, 31 December 2016, 1 January 2017 and 30 June 2017	2,000,000,000	20,000
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Issued and fully paid:

At 1 April 2016, 31 December 2016, 1 January 2017 and 30 June 2017	347,904,000	3,479
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12. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2017 and 31 December 2016.

13. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had entered into the following transactions with related parties:

	Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises (<i>Note i</i>)	390	390
Property management fee income charged to fellow subsidiaries	9,435	–
	9,825	390

Note i: Mr. Chan Woon Man is a director of a subsidiary of the Company. 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 was as follows:

	Six months ended	
	30 June 2017 Unaudited HK\$'000	30 September 2016 Unaudited HK\$'000
Short-term benefits	1,083	234
Post employment benefits	42	–
	1,125	234

DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the six months ended 30 June 2017, the Group's revenue decreased by approximately 5.7% from approximately HK\$51,229,000 for the six months ended 30 September 2016 to approximately HK\$48,322,000. Gross profit increased by approximately 103.9% from approximately HK\$13,183,000 for the six months ended 30 September 2016 to approximately HK\$26,885,000 which was mainly due to the gross profit generated from new property management business segment. Gross profit margin also increased from approximately 25.7% for the six months ended 30 September 2016 to approximately 55.6%.

Other income and gains sharply decreased by 69.7% from approximately HK\$776,000 for the six months ended 30 September 2016 to approximately HK\$235,000 because there was an one off income from selling the waste materials in the reporting period in 2016.

Selling and distribution costs decreased by approximately 16.2% from approximately HK\$13,984,000 for the six months ended 30 September 2016 to approximately HK\$11,717,000 which was mainly due to the closing of the Tsuen Wan retail store which resulted in lower staff and rental costs. Administrative and other operating expenses increased by approximately 135% from approximately HK\$11,070,000 for the six months ended 30 September 2016 to approximately HK\$26,019,000 which was mainly due to the expenses (including staff costs and other operating costs) incurred by the new property management business segment.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$10,621,000 for the reporting period (six months ended 30 September 2016: approximately HK\$11,452,000). Loss per share for the six months ended 30 June 2017 was HK3.05 cents (six months ended 30 September 2016: HK3.29 cents).

BUSINESS REVIEW

In the reporting period, the three business segments – manufacturing, retailing and property management accounted for approximately 51.2% (six months ended 30 September 2016: approximately 69.9%), approximately 29.3% (six months ended 30 September 2016: approximately 30.1%) and 19.5% (six months ended 30 September 2016: segment not yet launched) of the Group's revenue respectively.

MANUFACTURING BUSINESS

For the six months ended 30 June 2017, revenue of manufacturing business segment from external customers decreased by 30.9% from approximately HK\$35,803,000 for the six months ended 30 September 2016 to approximately HK\$24,740,000. This was mainly due to the decrease in demand from Hong Kong, PRC and overseas markets.

Geographically, sales to Europe decreased by approximately 37.9% from approximately HK\$10,359,000 for the six months ended 30 September 2016 to approximately HK\$6,437,000. Sales to the US decreased by approximately 15.3% from approximately HK\$7,956,000 for the six months ended 30 September 2016 to approximately HK\$6,741,000. Sales in Hong Kong decreased by approximately 51.4% from approximately HK\$3,949,000 for the six months ended 30 September 2016 to approximately HK\$1,919,000. Sales to PRC decreased by approximately 32.6% from approximately HK\$1,939,000 for the six months ended 30 September 2016 to approximately HK\$1,306,000. Apart from the major markets, sales to other countries including Australia, Japan, Canada, India, Korea, Singapore and Malaysia, etc. decreased by approximately 28.1% from approximately HK\$11,600,000 for the six months ended 30 September 2016 to approximately HK\$8,337,000.

In terms of product category, sales of belts decreased by approximately 28.4% to approximately HK\$21,510,000 (six months ended 30 September 2016: HK\$30,059,000) while sales of leather goods and other accessories decreased by approximately 43.8% to approximately HK\$3,230,000 (six months ended 30 September 2016: HK\$5,744,000). In view of the weak demand and the operating environment, the Group strived to streamline human resources and reduce other overhead costs. Also, the Group continued to consume the slow-moving inventory. As a result, the Group's manufacturing business segment recorded a lower operating loss of approximately HK\$2,695,000 (six months ended 30 September 2016: approximately HK\$7,701,000).

RETAIL BUSINESS

The Group's revenue from its retail business decreased by 8.3% from HK\$15,426,000 for the six months ended 30 September 2016 to approximately HK\$14,147,000. The Group's in-house brand sales decreased by approximately 16.0% and it accounted for approximately 87.9% of total retail sales as compared to approximately 96% during the six months ended 30 September 2016. The decrease was mainly due to the closing of Tsuen Wan AREA 0264 store and the weakening retail market in Hong Kong. High in-house brand sales drove up gross profit margin from approximately 68% to approximately 71%.

The overall shop rental to revenue ratio decreased to 40.8% (six months ended 30 September 2016: 45.1%) due to the closing of Tsuen Wan AREA 0264 store and reduction of the rental costs after renewal of tenancy of other stores. Though one shop was closed, the staff cost to revenue ratio slightly increased to 24.3% (six months ended 30 September 2016: 24%) due to the distribution of Chinese new year bonuses in the current reporting period.

As a consequence of the above, the Group's retail business segment recorded an operating loss of approximately HK\$875,000 (six months ended 30 September 2016: approximately HK\$2,813,000). During the reporting period, the Group operated eight AREA 0264 stores and one Teepee Leather workshop in Hong Kong (six months ended 30 September 2016: nine AREA 0264 stores and one Teepee Leather workshop).

PROPERTY MANAGEMENT BUSINESS

In the reporting period, the Group launched the new business segment, property management business, which provided property management services to various property projects of the Group's fellow subsidiaries in PRC. These fellow subsidiaries were subsidiaries of the Company's ultimate holding Company, Zhonghong. The property projects were located in Beijing, Jilin, Zhejiang, Shandong and Changbai Mountain. During the reporting period, the total revenue from this segment was HK\$9,435,000 and the loss of this segment was HK\$227,000.

PROSPECT

As the global and local economic outlook remains sluggish and uncertain, the Group continues to streamline the human resources and the production process in order to pursue lower production costs and higher profit margins without compromising on quality. The Group will endeavor to broaden the customer base and sources of revenue.

Though facing weak local demand and keen competition, the Group has renewed the tenancies of most retail stores upon their expiry this year. The Group will contemplate the optimal retail strategy and focus on better product design in order to attract more customers.

In addition to the manufacturing and retail business segments, the Group started to receive property management income in the reporting period. As usual policy, the Group is seeking different business opportunities locally and overseas. Also, the Group is constantly examining the profitability and sustainability of each business segment and may consider whether the corporate structure should be reorganised in order to maximise the shareholders' value.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group's cash and bank deposits were approximately HK\$26,636,000 as compared to approximately HK\$21,475,000 as at 31 December 2016.

The Group recorded total current assets of approximately HK\$75,960,000 (31 December 2016: approximately HK\$75,512,000) and total current liabilities of approximately HK\$37,130,000 (31 December 2016: approximately HK\$29,076,000). The increase of total current assets was mainly due to the increase in cash and bank deposits in the reporting period. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 2.05 times as at 30 June 2017 (31 December 2016: approximately 2.60 times).

The Group recorded shareholders' funds of approximately HK\$40,767,000 (31 December 2016: approximately HK\$50,659,000). The decrease was mainly attributable to operating loss incurred in the reporting period.

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.

CHARGES ON ASSETS

The Group did not have any assets pledged.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of subsidiaries for the six months ended 30 June 2017.

HUMAN RESOURCES

As at 30 June 2017, the Group had approximately 70 employees in Hong Kong and in the PRC and approximately 340 workers and employees in the PRC. The Group remunerated its employees mainly based on their individual performance.

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

As at 30 June 2017, none of the Directors or chief executives 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 ("Model Code") contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 June 2017, 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:

- 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 北京永恆嘉業投資有限公司. 北京永恆嘉業投資有限公司, 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 30 June 2017 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 January 2017 and 30 June 2017 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 executives' interests and short position in the shares, underlying shares and debentures" and "Share options" above, at no time during the period under review 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.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information subsequent to the date of annual report for the period from 1 April 2016 to 31 December 2016, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of Changes
Mr. Hou Jian	Resigned as an executive director of KEE Holdings Company Limited (stock code: 2011) with effect from 17 July 2017.
Mr. Wong Yik Chung John	Resigned as an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and the remuneration committee of KEE Holdings Company Limited (stock code: 2011) with effect from 28 July 2017.

PURCHASE, REDEMPTION OR SALE 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 six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions (the “Code Provision(s)”) as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2017, except for the deviations from Code Provisions, A.2.1 and C.2.5 of the CG Code. According to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the reporting period, the roles of the chairman and chief executive officer of the Company were performed by Mr. Wu David Hang. Given that the size of the existing management team is small and Mr. Wu David Hang has considerable experience in business development, the Board believes that the current structure will enable us to make and implement decisions promptly and efficiently. The Board will meet regularly to review this structure to ensure that it will not impair the balance of power and authority between the Board and the management of the Group. 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 of the Company 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.

The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 six months ended 30 June 2017.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Ng Man Fai Matthew (Chairman), Mr. Wong Yik Chung John, and Mr. Ernst Rudolf Zimmermann. The Audit Committee has reviewed with Group's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited consolidated interim financial statements and the results of the Group for the six months ended 30 June 2017.

By order of the Board
Wu David Hang
Chairman

Hong Kong, 29 August 2017