ASCENT

INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0264

2018

ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wang Wei *(Chairlady and appointed on 8 August 2018)*
Li Wei *(Resigned on 7 September 2018)*
Xu Hongwei *(Appointed on 6 July 2018 and resigned on 25 July 2018)*
Huang Shiqiao *(Appointed on 6 July 2018 and resigned on 25 July 2018)*

Non-executive Director

Lui Kwok Wai *(Resigned on 16 March 2018)*

Independent Non-executive Directors

Wong Kwun Ho *(Appointed on 13 August 2018)*
Liang Jianhai *(Appointed on 13 August 2018)*
Chong Man Hung Jeffrey *(Appointed on 7 September 2018)*
Shen Xiao *(Resigned on 25 July 2018)*
Yau Pak Yue *(Resigned on 13 August 2018)*
Cheng Shing Hay *(Resigned on 7 September 2018)*
Wong Kon Man Jason *(Resigned on 7 September 2018)*

COMPANY SECRETARY

Chan Tsang Mo *(Appointed on 28 February 2018)*
Chu Kin Ming *(Resigned on 28 February 2018)*

AUDIT COMMITTEE

Chong Man Hung Jeffrey *(Committee Chairman and appointed on 7 September 2018)*
Wong Kwun Ho *(Appointed on 13 August 2018)*
Liang Jianhai *(Appointed on 13 August 2018)*
Yau Pak Yue *(Resigned on 13 August 2018)*
Shen Xiao *(Resigned on 25 July 2018)*
Cheng Shing Hay *(Resigned on 7 September 2018)*
Wong Kon Man Jason *(Resigned on 7 September 2018)*

NOMINATION COMMITTEE

Wang Wei *(Committee Chairlady and appointed on 8 August 2018)*
Wong Kwun Ho *(Appointed on 13 August 2018)*
Liang Jianhai *(Appointed on 13 August 2018)*
Chong Man Hung Jeffrey *(Appointed on 7 September 2018)*
Yau Pak Yue *(Resigned on 13 August 2018)*
Shen Xiao *(Resigned on 25 July 2018)*
Cheng Shing Hay *(Resigned on 7 September 2018)*
Li Wei *(Resigned on 7 September 2018)*
Wong Kon Man Jason *(Resigned on 7 September 2018)*

REMUNERATION COMMITTEE

Wong Kwun Ho *(Committee Chairman, appointed on 13 August 2018)*
Wang Wei *(Appointed on 8 August 2018)*
Chong Man Hung Jeffrey *(Appointed on 7 September 2018)*
Liang Jianhai *(Appointed on 13 August 2018)*
Yau Pak Yue *(Resigned on 13 August 2018)*
Shen Xiao *(Resigned on 25 July 2018)*
Li Wei *(Resigned on 7 September 2018)*
Cheng Shing Hay *(Resigned on 7 September 2018)*
Wong Kon Man Jason *(Resigned on 7 September 2018)*

REGISTERED OFFICE

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

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30/F., Entertainment Building
30 Queen's 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
Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank Hong Kong Branch

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
3rd Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Tricor Investor Service Limited
Level 22,
Hopewell Centre
183 Queen's Road East
Hong Kong

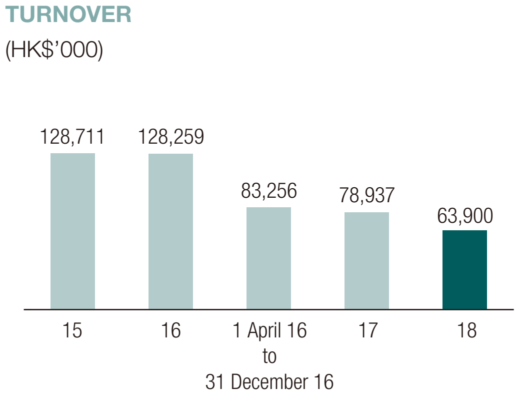
COMPANY WEBSITE

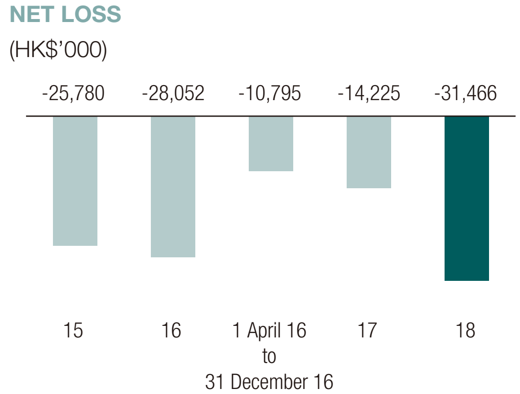
www.irasia.com/listco/hk/ascent/index.htm

STOCK CODE

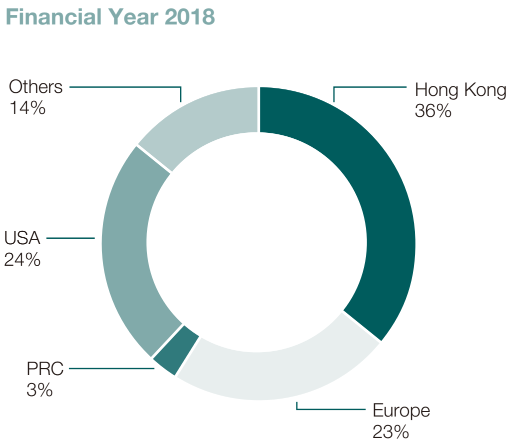
264

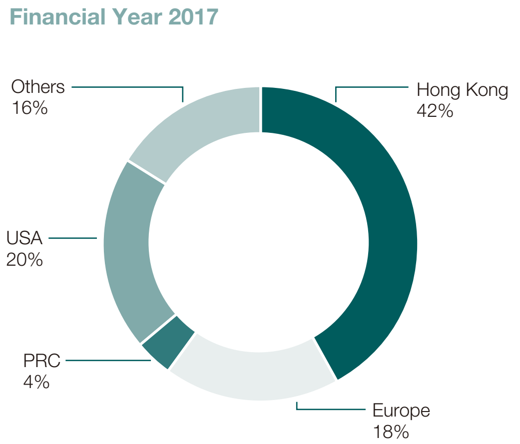
FINANCIAL HIGHLIGHTS



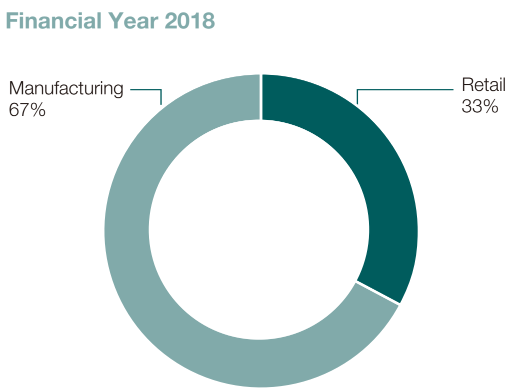


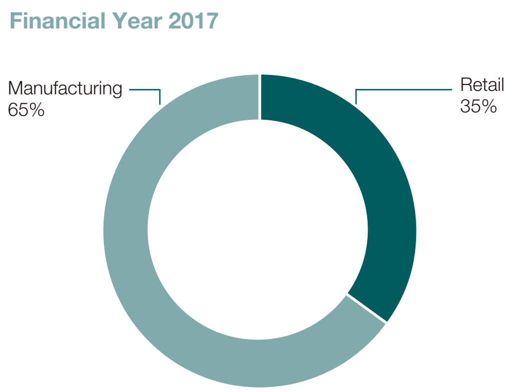
TURNOVER BY GEOGRAPHICAL SEGMENT





TURNOVER BY BUSINESS SEGMENT





FINANCIAL HIGHLIGHTS

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Operating results		
Revenue	**63,900**	78,937
Gross profit	**21,975**	34,979
Loss before income tax expense	**(31,466)**	(16,676)
Loss for the year	**(31,466)**	(14,225)
Business performance ratios		
Gross profit margin	**34.4%**	44.3%
Net profit margin	**N/A**	N/A
Return on shareholders' equity	**N/A**	N/A
Current ratio	**2.12**	3.28
Quick ratio	**1.53**	2.20
Share data (as at year end date)		
Shares in issue ('000)	**382,704**	382,704
Shares closing price	**HK$1.37**	HK$0.85
Market capitalization (HK$'000)	**524,304**	325,298
Basic loss per share	**(HK8.22 cents)**	(HK4.05 cents)
Interim dividend per share	**Nil**	Nil
Final dividend per share	**Nil**	Nil
Net asset value per share	**HK$0.07**	HK$0.16
Price-to-book value ratio	**19.57**	5.31

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 year ended 31 December 2018.

FINANCIAL PERFORMANCE

The Group has recorded a revenue of approximately HK$63,900,000 for the year ended 31 December 2018 (2017: approximately HK$78,937,000), representing a decrease of 19.0% or approximately HK$15,037,000 as compared with last year. Revenue contributed from manufacturing and retail business segments (excluding inter-segment revenue) was approximately HK$43,099,000 and HK$20,801,000, respectively. Gross profit was approximately HK$21,975,000. There was a decrease in gross profit margin from approximately 44.3% to approximately 34.4%. The reasons for the decrease in gross profit were mainly due to the provision for impairment of certain slow moving inventories of approximately HK$6,127,000 for the year ended 31 December 2018 while there was a reversal of write down of inventories of HK$3,044,000 for the year ended 31 December 2017.

Selling and distribution costs significantly reduced by approximately HK$8,293,000 to approximately HK$14,643,000 for the year ended 31 December 2018 (2017: approximately HK$22,936,000). The decrease was mainly attributable to the decrease in sales of manufacturing and retail business segments. Administrative and other operating expenses increased by approximately HK$9,435,000. The increase was mainly due to significant increase in legal and professional fee in relation to the mandatory unconditional cash offer made by First Shanghai Securities Limited on behalf of Twinkle Link Limited to acquire all the issued shares of the Company (the "Shares") (other than those already beneficially owned or acquired by Twinkle Link Limited and parties acting in concert with it) (the "Offer") in mid 2018 and the increase in staff costs of the senior executives of the Company.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$31,466,000 for the year ended 31 December 2018 (2017: approximately HK$14,225,000). Loss per share for the year ended 31 December 2018 was HK8.22 cents (2017: HK4.05 cents).

BUSINESS REVIEW

During the year ended 31 December 2018, the manufacturing business and retail business segments accounted for 67% (2017: 65%) and 33% (2017: 35%) of the Group's total revenue, respectively.

Manufacturing Business

For the year ended 31 December 2018, the revenue of manufacturing business segment from external customers was approximately HK$43,099,000, in comparison with approximately HK$51,049,000 in prior year.

Geographically, sales to Europe maintained at around HK$14,513,000 for the year ended 31 December 2017 and approximately HK$14,343,000 for the year ended 31 December 2018. Sales to Hong Kong reduced significantly by approximately 52.3% from approximately HK$4,988,000 for the year ended 31 December 2017 to approximately HK$2,378,000 for the year ended 31 December 2018. Sales to the US remained at around HK$15,594,000 for the year ended 31 December 2017 and approximately HK$15,231,000 for the year ended 31 December 2018. Sales in PRC market maintained at around HK$2,864,000 for the year ended 31 December 2017 and approximately HK$2,143,000 for the year ended 31 December 2018. Apart from these major markets, sales to other countries such as Japan, Australia, Canada, India etc. decreased from approximately HK$13,090,000 for the year ended 31 December 2017 to approximately HK$9,004,000 for the year ended 31 December 2018.

In respect of product category, sales of belts decreased by approximately HK$5,627,000 to approximately HK$36,769,000 (2017: approximately HK$42,396,000), representing a decrease of 13.3%. The sales of leather goods and other accessories reduced by approximately HK$2,323,000 to approximately HK$6,330,000, (2017: approximately HK$8,653,000). Similar to previous years, the Group strived to economise on expenditure and reduce further in the inventory level of raw materials, particularly, to consume the slow-moving inventory of cowhide leathers. However, the Group's manufacturing business segment still recorded an increase of operating loss of approximately HK$8,933,000 from approximately HK$2,764,000 for the year ended 31 December 2017 to approximately HK$11,697,000 for the year ended 31 December 2018.

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 approximately HK$20,801,000 for the year ended 31 December 2018 (2017: approximately HK$27,888,000) which represented a 25.4% decrease in comparison with the previous year. Sales of the Group's in-house brand "Urban Stranger" comprised 86.8% of the retail sales for the year ended 31 December 2018, which was 1.7% lower than that of the previous reporting period (year ended 31 December 2017: 88.5%). Gross profit margin for the year ended 31 December 2018 remained high at 65.8%, similar to the previous year's margin of 70.4%.

The overall shop rental to revenue ratio decreased from 40.4% for the year ended 31 December 2017 to 31.6% for the year ended 31 December 2018. The staff cost to revenue ratio also reduced from 23.4% for the year ended 31 December 2017 to 21.1% for the year ended 31 December 2018.

The retail business segment resulted in a loss of approximately HK$1,899,000 for the year ended 31 December 2018 as compared to approximately HK$3,059,000 for the year ended 31 December 2017. The Group maintained five AREA 0264 stores (2017: eight) and one Teepee Leather workshop (2017: one) in Hong Kong as at 31 December 2018.

PROSPECTS

The ongoing China-USA trade dispute added pressure to the already challenging environment in China. The leather manufacturing industry continued to face significant headwinds in 2018. Looking forward to 2019, the Group would continue to press ahead the reduction of inventory level, strengthen its competitiveness by maintaining the quality of its products and flexibly catering to the needs of its customers. Also, the Group will streamline its operation and re-examine the use of its resources prudently and make every effort to mitigate the losses.

The local retail market continued to face strong challenges and keen competition. Retail shop rental remains one of the Group's largest expenses and rental increase is expected to be an impediment to the growth of the Group. In 2018, the Group has been very cautious in securing potential store locations and renew the tenancies of the existing stores upon their expiry, in order to maintain effective cost control to continuously improve its profit margin. The Group has closed the non-performing stores and those in isolated locations, while at the same time exploring potential new stores locations in key districts within close proximity.

The rapid development of e-commence has presented us with an opportunity to exploit the weakness in the rental cycle. We are leveraging this opportunity to prepare for the launch of our new online shop AREA0264.com in 2019.

In respect of the continuous loss-making of the leather business, the Group will continue to review the business strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities with a view to enhance the Group's future development.

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.

WANG WEI
Chairlady

Hong Kong, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018 the Group's cash and bank deposits were approximately HK$25,729,000 as compared to approximately HK$44,507,000 as at 31 December 2017.

The Group recorded total current assets of approximately HK$51,140,000 as at 31 December 2018 (31 December 2017: approximately HK$85,751,000) and total current liabilities of approximately HK$24,173,000 as at 31 December 2018 (31 December 2017: approximately HK$26,113,000). The decrease in total current assets was mainly due to the reduction of inventory level and decrease in cash and bank deposits. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 2.12 times as at 31 December 2018 (31 December 2017: 3.28 times).

The Group recorded shareholders' funds of approximately HK$28,057,000 as at 31 December 2018 (31 December 2017: approximately HK$61,526,000). The reduction was mainly attributable to the decrease in inventory level and cash and bank balances.

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 RMB against HK$ 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 year ended 31 December 2018.

CHARGES ON ASSETS

The Group did not have any assets pledged for borrowings.

MATERIAL ACQUISITION AND DISPOSAL

On 23 January 2018, Elite Ascent Investments Limited ("Elite Ascent"), a direct wholly-owned subsidiary of the Company, entered into the joint venture agreement with Ms Leung Shuk Ching ("Ms Leung"), Jubilee Ventures International Limited ("Jubilee Ventures") and Eastation Gallery (HK) Limited (the "JV Company"), pursuant to which the Company agreed to subscribe for 300 ordinary shares of the JV Company (which represents 30% of the enlarged issued share capital in the JV Company) at a total subscription price of HK$20 million (the "Subscriptions"). Completion of the Subscriptions took place on 23 January 2018.

Following completion of the Subscriptions, the JV Company was accounted for as a joint venture of the Group.

On 31 January 2018, the JV Company and Ms Leung entered into a deed of call option (the "Call Option Deed"), pursuant to which the JV Company granted to Ms Leung the right to acquire all but not part of the 18 oil paintings namely Battlefield Realism: The Eighteen Arhats (Set of Eighteen) created by Liu Xiaodong at the sole discretion of Ms Leung during the period commencing from the date of the Call Option Deed up to and including 31 December 2018 at the exercise price of HK$45,933,333.

On 17 August 2018, Elite Ascent entered into the sale and purchase agreement with Jubilee Ventures, pursuant to which Elite Ascent agreed to sell 30% of the issued share capital of the JV Company to Jubilee Ventures at the consideration of HK$18,000,000 (the "Disposal"). Completion of the Disposal took place on 17 August 2018.

Following completion of the Disposal, the JV Company ceased to be a joint venture of the Group which is engaged in consultation and trading of artworks and the operating of an art gallery in Hong Kong.

The net proceeds from the Disposal were used for general working capital.

Apart from the above transactions, the Group had no material acquisition or disposal for the year ended 31 December 2018.

HUMAN RESOURCES

As at 31 December 2018, the Group had approximately 46 employees in Hong Kong and approximately 144 workers in the PRC. The Group remunerated its employees mainly based on their individual performance. The remuneration includes basic salaries, discretionary bonus, contribution to the statutory retirement scheme.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2017 and 31 December 2018.

GEARING RATIO

As at 31 December 2018, the gearing ratio of the Group was 49.0% (31 December 2017: 20.8%), representing the sum of amounts due to former fellow subsidiaries and a former intermediate holding company divided by total equity.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Ms Wang Wei, aged 39, has been appointed as an executive Director, chairlady of the Board and authorised representative of the Company on 8 August 2018. She obtained her bachelor of business administration degree (major in finance and accounting) from Simon Fraser University in Canada. Ms Wang is a Chartered Professional Accountant in Canada and has obtained a qualification with respect to fund management with the Asset Management Association of China (中國證券投資基金業協會). Ms Wang has around 7 years of auditing and tax management experience working in accountants firms that are registered as Canadian Chartered Professional Accountants, and 6 years of working experience in a trust company and private equity funds in the People's Republic of China (the "PRC"). Ms Wang is currently the brand and culture director of 上海盈訊科技股份有限公司 (Shanghai Yingxun Technology Co., Ltd.*) which is 33%-owned by Mr Xu Hongwei, the previous controlling shareholder of the Company, in the PRC. Ms Wang is also the president of the Chartered Professional Accountants of Canada Shanghai Chapter, and the treasurer of The Canadian Chamber of Commerce in Shanghai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Liang Jianhai, aged 51, was appointed as independent non-executive director of the Company on 13 August 2018. Mr Liang obtained a bachelor of laws degree from Shenzhen University in July 1988. Mr Liang has worked as a secretary in the Shenzhen Municipal People's Government between 1988 and 2002, and has also worked at the Guangdong Zhihexing Law Firm (廣東知和行律師事務所) between 2006 and 2009. Mr Liang has been appointed as the deputy general manager of Shenzhen Zetianxia Investment and Development Co., Ltd. (深圳市擇天下投資發展有限公司) since 2009.

Mr Wong Kwun Ho, aged 35, was appointed as independent non-executive director of the Company on 13 August 2018. Mr Wong has over 10 years of experience in financial management and public offering transactions. He became a certified public accountant and a qualified member of Hong Kong Institute of Chartered Public Accountants in February 2012. Mr Wong is an associate director of corporate finance division of Zhongtai International Capital Limited since January 2018. Prior to that, he worked as (i) a vice president of corporate finance division at CCB International Capital Limited from April 2017 to December 2017 and (ii) an assistant vice president of the corporate finance department at Guotai Junan Capital Limited from September 2013 to April 2017. Mr Wong also gained accounting and transactional experience from different financial companies and accounting firms, including via his experience working in the corporate finance division of Fortune Financial Capital Limited, the corporate finance division of Guosen Securities (HK) Capital Company Limited and the assurance department of PricewaterhouseCoopers CPA between September 2008 and September 2013. Mr Wong obtained his bachelor's degree of business administration (Honours) in accountancy in November 2008 from City University of Hong Kong.

Mr Chong Man Hung Jeffrey, aged 40, was appointed as independent non-executive director of the Company on 7 September 2018. Mr Chong has been the company secretary of China Partytime Culture Holdings Limited (stock code: 1532) since May 2015 and an independent non-executive director of Taung Gold International Limited (stock code: 621) since October 2017, both of which are the companies listed on the Main Board of the Stock Exchange. Mr Chong obtained a bachelor degree of business administration in accounting from the Hong Kong University of Science and Technology in November 2000 and a master's degree of business administration from the City University of Hong Kong in October 2018. Mr Chong has been a member and fellow member of the Hong Kong Institute of Certified Public Accountants since January 2005 and March 2018, respectively. Mr Chong has over 16 years of experience in audit and finance, and prior to joining our Group, Mr Chong worked (i) at Sonia Yau & Co. from June 2000 to February 2002, (ii) at KLL Associates CPA Limited from March 2002 to August 2005 and (iii) at BDO McCabe Lo Limited from August 2005 to January 2006. Mr Chong also worked at Deloitte Touche Tohmatsu from January 2006 to December 2009 and his last position was a manager at the audit department. He worked at SHINING (HK) CPA Limited from December 2009 to October 2014 and his last position was a senior audit manager. He was also subsequently appointed as chief analytics officer at eprint Group Limited (stock code: 1884), a company listed on the Main Board of the Stock Exchange, from October 2014 to March 2015.

SENIOR MANAGEMENT

Mr Chan King Hong Edwin, aged 61, is a former executive Director of the Company, and is currently the chief executive officer of the leather goods manufacturing and retail division of Company who joined 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 CHAN King Yuen Stanley, aged 58, is currently the Director of the leather goods manufacturing and retail division of the Company who joined the Group in around 1980. Mr Chan is responsible for the design and product development, local 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, product development and sampling design training.

Ms CHAN Wai Po Rebecca, aged 55, is currently the production director of the leather goods manufacturing division of the Company who joined the Group in 1986. Ms Chan is responsible for production planning and control, labour training and overall management of the leather goods manufacturing of the Group's production facilities in Dongguan, the PRC. She has over 28 years of experience in the manufacturing of leather goods, production system design and quality assurance system management. She graduated from Tunghai University in Taiwan with a Bachelor's degree in Business Administration in 1986.

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 December 2018 except for the deviations from the Code Provisions A.2.1 (as disclosed in the paragraph headed Chairman and chief executive officer below and C.2.5 in respect of the separation of roles of the chairman of the Board (the "Chairman") and chief executive of the Company (the "Chief Executive Officer") and the Group should have an internal audit function.

Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the members of the audit committee of the Company (the "Audit Committee"). The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by 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 year ended 31 December 2018.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing 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 1 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 11 to 12 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 year ended 31 December 2018, 19 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 year ended 31 December 2018 is as follows:

	Number of Board meetings attended/ eligible to attend	Annual general meeting held on 19 May 2018 attended
Executive Directors		
Ms Wang Wei (Appointed on 8 August 2018)	5/5	N/A
Ms Li Wei (Resigned on 7 September 2018)	17/17	1/1
Mr Xu Hongwei (Appointed on 6 July 2018 and resigned on 25 July 2018)	0/0	N/A
Mr Huang Shiqiao (Appointed on 6 July 2018 and resigned on 25 July 2018)	0/0	N/A
Non-Executive Director		
Mr Lui Kwok Wai (Resigned on 16 March 2018)	4/4	N/A
Independent Non-executive Directors		
Mr Liang Jianhai (Appointed on 13 August 2018)	4/4	N/A
Mr Wong Kwun Ho (Appointed on 13 August 2018)	4/4	N/A
Mr Chong Man Hung Jeffrey (Appointed on 7 September 2018)	1/1	N/A
Mr Cheng Shing Hay (Resigned on 7 September 2018)	17/17	1/1
Mr Yau Pak Yue (Resigned on 13 August 2018)	14/14	1/1
Mr Wong Kon Man Jason (Resigned on 7 September 2018)	17/17	1/1
Mr Shen Xiao (Resigned on 25 July 2018)	11/11	1/1

All current independent non-executive Directors are appointed for a specific term of three years and are also subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with the 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 year ended 31 December 2018, the Company arranged appropriate insurance cover for Directors' and officers' liabilities.

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/she is sufficiently aware of his/her 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 year ended 31 December 2018, 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	
Ms Wang Wei (Chairlady) (Appointed on 8 August 2018)	✓
Ms Li Wei (Resigned on 7 September 2018)	✓
Mr Xu Hongwei (Appointed on 6 July 2018 and resigned on 25 July 2018)	✓
Mr Huang Shiqiao (Appointed on 6 July 2018 and resigned on 25 July 2018)	✓
Non-Executive Director	
Mr Lui Kwok Wai (Resigned on 16 March 2018)	✓
Independent Non-executive Directors	
Mr Liang Jianhai (Appointed on 13 August 2018)	✓
Mr Wong Kwun Ho (Appointed on 13 August 2018)	✓
Mr Chong Man Hung Jeffrey (Appointed on 7 September 2018)	✓
Mr Cheng Shing Hay (Resigned on 7 September 2018)	✓
Mr Yau Pak Yue (Resigned on 13 August 2018)	✓
Mr Wong Kon Man Jason (Resigned on 7 September 2018)	✓
Mr Shen Xiao (Resigned on 25 July 2018)	✓

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 year ended 31 December 2018, the roles of the Chairlady had been performed by Ms Li Wei from 1 January 2018 to 7 September 2018 and the duties of the chief executive officer is performed by the existing management of the Group. The Board is of the view that given the small size of the existing management team, Ms Li Wei 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. Following Ms Li's resignation as Chairlady and Chief Executive Officer, Ms Wang Wei is appointed as the chairlady of the Board, and the duties of the chief executive officer is performed by the existing management of the Group. The Group is looking for suitable candidate to fill the vacancy of the Chief Executive Officer.

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 Chong Man Hung Jeffrey, Mr Wong Kwun Ho and Mr Liang Jianhai. On 31 October 2018, 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 audit committees' Role and Functions, the risk management and internal control. 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 year ended 31 December 2018, 3 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 Chong Man Hung Jeffrey (Committee Chairman, appointed on 7 September 2018)	0/0
Mr Wong Kwun Ho (Appointed on 13 August 2018)	1/1
Mr Liang Jianhai (Appointed 13 August 2018)	1/1
Mr Yau Pak Yue (Resigned on 13 August 2018)	2/2
Mr Cheng Shing Hay (Resigned on 7 September 2018)	3/3
Mr Wong Kon Man, Jason (Resigned on 7 September 2018)	3/3
Mr Shen Xiao (Resigned on 25 July 2018)	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 year 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 June 2018 and audited financial statements and results of the Group for the year ended 31 December 2018.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the fees paid/payable to the Group's auditor, BDO Limited, are set out as follows:

Nature of services	Amount HK$'000
Audit Services	800
Non-audit Services	120

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 Kwun Ho, Mr Chong Man Hung Jeffrey and Mr Liang Jianhai and one executive Director, namely Ms Wang Wei. 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 year ended 31 December 2018, 5 remuneration committee meetings were 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 Kwun Ho (Committee Chairman, appointed on 13 August 2018)	1/1
Mr Chong Man Hung Jeffrey (Appointed on 7 September 2018)	0/0
Mr Liang Jianhai (Appointed on 13 August 2018)	1/1
Mr Yau Pak Yue (Resigned on 13 August 2018)	2/2
Mr Cheng Shing Hay (Resigned on 7 September 2018)	4/4
Mr Wong Kon Man, Jason (Resigned on 7 September 2018)	4/4
Mr Shen Xiao (Resigned on 25 July 2018)	1/1
Executive Director	
Ms Wang Wei (Appointed on 8 August 2018)	3/3
Ms Li Wei (Resigned on 7 September 2018)	4/4

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 Wong Kwun Ho, Mr Liang Jianhai and Mr Chong Man Hung Jeffrey and one executive Director, namely Ms Wang Wei. On 31 December 2018, 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 January 2019. 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 year ended 31 December 2018, 5 nomination committee meetings were 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 year ended 31 December 2018. 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 Kwun Ho (Appointed on 13 August 2018)	2/2
Mr Liang Jianhai (Appointed on 13 August 2018)	2/2
Mr Chong Man Hung Jeffrey (Appointed on 7 September 2018)	1/1
Mr Yau Pak Yue (Resigned on 13 August 2018)	2/2
Mr Cheng Shing Hay (Resigned on 7 September 2018)	3/3
Mr Wong Kon Man Jason (Resigned on 7 September 2018)	3/3
Mr Shen Xiao (Resigned on 25 July 2018)	1/1
Executive Director	
Ms Wang Wei (Committee Chairlady and appointed on 8 August 2018)	3/3
Ms Li Wei (Resigned on 7 September 2018)	3/3

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

- to review the structure, size and composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) 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 implement and review the Board Diversity Policy
- develop, review and disclose the policy for nomination of directors
- 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 year under review, 5 new Directors were recommended by the Nomination Committee and were appointed by the Board. All of the newly appointed Directors were selected via the selection process described 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 set of revised board diversity policy (the "Board Diversity Policy") on 31 December 2018 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 four 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.

DIVIDEND POLICY

The Board adopted a dividend policy on 31 December 2018. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

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 year ended 31 December 2018, the Board has discussed the corporate governance matters including a review of the corporate governance report for the year ended 31 December 2018.

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 49 to 53 of this Annual Report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining an effective system of internal control to safeguard shareholders' investment and the Company's assets. The internal control system is designed to provide reasonable assurance on the effectiveness and efficiency of operations, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records for producing reliable financial information. The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Under 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. Given the Group's simple operating 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 programs, 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 order to maintain a high standard of corporate governance, the Company engaged an independent external consultant with professional staff in possession of relevant expertise to conduct an independent review of the risk management and internal control systems of the Company during the year. The report has been reviewed and approved by the Board and the Audit Committee. Appropriate actions have been implemented accordingly to enhance the risk management and internal control systems.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality covenants will be in place when the Group enters into significant negotiations. In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the Model Code.

The Board has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 December 2018. The Board considers that the existing risk management and internal control systems of the Group are in place and effective.

CORPORATE COMMUNICATION

The Company endeavours 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 year ended 31 December 2018, Ms Li Wei (Chairlady of the Board) attended the annual general meeting of the Company held on 8 June 2018.

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 30/F, Entertainment Building, 30 Queen's 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 30/F, Entertainment Building, 30 Queen's 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 Articles, 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 30/F, Entertainment Building, 30 Queen's 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 30/F, Entertainment Building, 30 Queen's Road Central, Hong Kong or send email to cosec@hkmorton.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 tendered his resignation with effect from 28 February 2018. Mr Chan Tsang Mo ("Mr Chan") was appointed as the Company Secretary thereafter. The Company Secretary 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 regard 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 Ordinance and other applicable laws, rules and regulations. During the year ended 31 December 2018, Mr Chan undertook not less than 15 hours of professional training to update his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE, MATERIALITY AND PERIOD

Reporting Principle and Scope

This environmental, social and governance report ("ESG Report") was published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Listing Rules and the "comply or explain" provisions contained therein.

For the year ended 31 December 2018 (the "Reporting Period"), the Group was mainly engaged in manufacturing and distribution of leather products, retail of fashion apparel, footwear and leather accessories. The Group decided to include in this ESG Report its manufacture operation in the PRC and retail business in Hong Kong.

Unless otherwise stated, the ESG Report covers the overall performance, risks, strategies, measures and commitments of the Group in four areas, namely, working environment quality, environmental protection, operating practices and community investment, for the Group's aforementioned operations during the Reporting Period. All information contained herein comes from official documents or statistical reports of the Group.

For the Group's corporate governance structure and other relevant information, please refer to the Corporate Governance Report from pages 13 to 26 of this annual report.

Materiality Assessment

This ESG Report was prepared by the management and employees of the Group, and serves to review the Group's internal practices on environmental, social and operating practices, and governance. We evaluate the significance of these issues to our development and stakeholders, and report accordingly.

General Approach and Policy

The Group adheres to the principle of corporate sustainability to promote business development. The ESG Report is to give stakeholders a better understanding of the Group's sustainability strategies and management approaches. Meanwhile, it serves to review the Group's performance in such aspects. The Group aspires to create value for stakeholders, in terms of environmental protection, operation control and community investment, through sound internal control. It is the Group's goal to become a responsible and far-sighted corporate citizen, thereby maintaining a long-term, sustainable relationship with stakeholders and fostering a healthy growth together.

Stakeholders' Feedback

Please share with us your view on the Group's environmental, social and governance approaches upon reading the ESG Report, via:

Address: 30/F, Entertainment Building, 30 Queen's Road Central, Hong Kong
Telephone: (852) 2329 3678
Fax: (852) 2359 3323
Email: moses@hkmorton.com

REPORTING ON ENVIRONMENTAL ASPECTS

The Group understands that environmental protection and long-term development of the society is inextricably linked. As a responsible corporate, the Group formulates and constantly improves its guidelines and procedures of handling industrial wastewater and waste, whereby the employees are required to strictly observe them. The Group is committed to minimising its environmental impact from daily operation, developing a long-term mechanism and relevant policies of environmental protection and energy saving to build a resource-saving and environment-friendly enterprise.

During the Reporting Period, there was no incident of non-compliance with relevant environmental laws and regulations relating to air and greenhouse gas, emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. The Group also confirmed that during the Reporting Period, our business operation had not encountered any punishment by respective governmental authorities due to violation of the above laws and regulations.

Emission

Air pollution — exhaust gas and greenhouse gas, dust

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Air Pollution Control Ordinance (《空氣污染管制條例》), Waste Disposal Ordinance (《廢物處置條例》), the Law of the People's Republic of China on Environmental Noise Pollution Prevention (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Decision of the State Council on Several Issues Concerning Environmental Protection (《國務院關於環境保護若干問題的決定》) and other applicable environmental laws and regulations, as the Group contains the intensity and total volume of its exhaust gas and greenhouse gas emissions from daily operations within the maximum limit allowed by the state.

The Group, in accordance with relevant requirements, submits to the environmental authorities the Return for Pollutant Emission (《排放污染物基本申報表》) which records the categories and standard value of emission. To reduce exhaust gas emission, the Group has installed activated carbon absorption equipment which is able to handle 72,000 cubic m3 of exhaust gas every hour, whilst effectively absorbs and collect benzene and other exhaust gas produced by organic solvents. Consequently, the amount of benzene, methylbenzene and dimethylbenzene emitted by the Group during the Reporting Period was within the air pollutant limits allowed by the government.

Hazardous and non-hazardous waste management

Emissions from the Group's operation of manufacture of leather products mainly include waste paint residue, waste wipes and gloves, waste can and other industrial waste. The Group strictly follows relevant environmental laws and regulations, and submits relevant information to the Solid Waste Management Information Platform (《廣東省固體廢物管理信息平臺》) pursuant to statutory requirements.

Industrial wastes produced from the Group's manufacturing processes were disposed of by professional institutions which hold the Permit for Operation of Dangerous Wastes (《危險廢物經營許可證》) issued by the local environmental authorities and the relevant qualifications. These institutions have the required qualifications to collect, store, handle and dispose of wastes. Their vehicles for transferring industrial waste, and the weight and packaging of industrial waste are under stringent control also.

Wastewater treatment

The Group emphasises the effective use of water and has adopted several prevention measures:

- oily sewage is treated through the sedimentation basin with grease and residue trap;
- fecal wastewater is treated by three graded septic tanks;
- paint residue at water curtain booth is cleaned and undergoes sedimentation regularly.

In addition, the Group strictly complies with national requirements on discharge of industrial wastewater as it sends its industrial wastewater from paint generated from production process to professional institution for treatment, and declare its sewage discharge. The third-party institution responsible for the treatment of the Group's industrial wastewater holds the Permit for Pollutant Discharge issued by the Ministry of Environmental Protection, and keeps detailed record of transport weight, routes and dates of each treatment of industrial wastewater, in order to prevent secondary pollution during the transferring and treatment of industrial wastewater.

Emission Data:

Emissions	Unit	Quantity
Greenhouse gas		
— Scope 1 — direct emission	CO2 equivalents	13.07
— Scope 2 — indirect emission	CO2 equivalents	625.61

Use of Resources

The Group promotes environmental awareness among employees, encourage staff from production department, retail outlets and offices to use paper, electricity and other office resources efficiently. The Group champions the implementation of Green Operation and enforces internal environmental guidelines during daily operation, to ensure efficient use of resources. During the Reporting Period, a number of measures were taken, including:

- advocating the use of email to reduce the use of paper;
- promoting double-sided printing and paper recycling to reduce waste of paper;
- switching off lights, computers, fans and other electronic appliances that lie idle;
- replacing lighting tools of low energy-efficiency with LED and energy-saving lights;
- promoting the use of video conference to minimise unnecessary business travel;
- saving water to avoid waste.

The Group constantly reviews its environmental policies and puts in more feasible environmental considerations during daily operation.

Resource Consumption Data

Resources Consumed	Unit	Quantity
Water	cubic meter	19,724
Paper	kg	50
Electricity	kWh	765,789
Diesel fuel	liter	5,000

Environment and Natural Resources

The Group understands that protecting the environment and minimising its adverse environmental impact from business operation are the continuing obligations of a good corporate citizen. These are carried out with the purposes of fostering the sustainable development of the Group's business and the environment. The Group regularly assesses its environmental risks incurred from operations, review its environmental practices and adopt necessary preventive or improvement measures. The Group communicates with its suppliers and business partners to better understand their environmental policies and procures environmental equipment; whilst providing internal training and information from time to time, to raise environmental awareness.

REPORTING ON SOCIAL ASPECTS

Employment and Labour Practices

Employment

Employment Data:

	Unit	Quantity
Total employees	**No. of people**	**190**
By gender		
— male	percentage	24%
— female		76%

Recruitment, remuneration and benefit policies

As at 31 December 2018, the Group had 190 employees.

Employees are the key assets to sustaining long-term development of the Company. The Group is dedicated to providing a respected, fair and impartial employment platform where employees are free from discrimination of gender, age, nationality, sexual orientation, family status, race or religious belief. The Group strictly observes the Employment Ordinance (《僱傭條例》), the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong) (《強制性公積金計劃條例》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other applicable laws enacted in the regions where our employees are employed. The Group also aligns with industry practices to formulate the Recruitment Safety Procedure of the Group, which regulates employees' conduct and ensures fair treatment.

The Group has established a comprehensive remuneration and recruitment mechanism whereby employees are entitled to their remuneration, legal rights and benefits, including minimum wage, rest periods, dismissal compensation, as well as social insurance and mandatory provident fund. The Group persistently improves its recruitment and promotion program. Employees' remuneration, benefits and promotion are reviewed and determined regularly based on market condition and industry benchmark, and when necessary, employees' work experience and job performance appraisal, as well as the Group's financial performance. The Group has set up the Management Procedure of Work Hour and Overtime Work Hour to ensure reasonable work hours and adequate rest time for factory workers. All overtime work shall be performed in a voluntary manner.

Equal opportunity and diversity

The Group is impartial in recruiting and promoting its employees, whose employment and promotion, together with their remuneration and benefits, are determined by their job nature, experience, job performance, company results and market condition, and upon job appraisal. and have gradually established and improved our recruitment mechanism. We do not discriminate our employees on the basis of their gender, racial background, religious belief, age, marital and family status, disability or any other forms, and ensure employees enjoy fair opportunities.

Dismissal policy

With regards to the policies relating to dismissal of employees, if an employee has committed serious misconduct and fails to improve in spite of repeated warnings, his/her supervisor and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain before the dismissal is announced. The reasons for the dismissal will be conveyed to the employee clearly. The dismissal procedure must be in accordance to applicable laws and regulations as well.

Staff communication

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our staff allows us to better understand their needs. Besides employee orientation with introduction of corporate system, culture and other information, we are willing to listen to our employees about their daily work condition, working environment and personal career development, with a view to properly adjusting our internal resources and policies. The Group also regularly organises staff activities to facilitate interaction among them and enhance their sense of belonging.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to employment.

Health and Safety

Safety first

The Group is committed to providing a healthy and safe working environment. It adheres the idea of "safety first and prevention is key", with employees' safety as its first priority. The Group strictly complies with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), and has formed the Health and Safety Committee. The Committee is responsible for overseeing the health and safety condition of the work environment, and safeguards it through induction training, on-the-job training and daily inspection. In addition, the Group also arranges health check for its staff.

The Group strictly implements various labour protection, safe production and fire prevention rules, and regularly coordinates safety check for factory, including:

- Carrying out daily patrol of production facility to ensure that employees wear protective gear properly, and keeping record for review;
- Organising regular training on usage of protective gear to raise employees' awareness;
- Establishing Safety Organisational Structure for clear division of labour and minimising impact caused by accidents;
- Halting production when emergency and unsafe situation takes place;
- Producing statistics for serious factory incidents and making preventive measures based on the monthly statistics; handling fire, chemical leakage, serious safety and health incidents at factory in accordance with Emergency Preparation Contingency Procedure, and calling for meeting for review;
- Performing regular check on machineries;
- Organising safety production contest to encourage employees to make reasonable suggestions and share experience from different departments;
- Organising regular fire drill, providing emergency and first-aid skill training; checking fire hydrant regularly and repairing, maintaining and replacing old and obsolete equipment;
- Solidifying theoretical knowledge base of medics and employees of specialty work procedures on a monthly basis.

For employees responsible for specialty work, such as electricians, instrument calibration staff, etc. They are required to obtain certification recognised by the national government in order to perform job duties. The Group's employees are required to:

- Carry out regular maintenance and repair on machineries to ensure safety;
- Switch off power when repairing electric appliances and hoisting safety signs of power outage and repair whilst assigning staff to secure the area and prevent others from electric shock;
- Ensure that electronic appliances and wire are in compliance with national safety requirement and have good insulation.

In addition, the Group stresses the importance of hygiene of work environment and promotes safety and hygiene awareness among employees. Garbage is not allowed to be left at factory overnight and the Group hires professional firms for pest and ant control.

For safety of chemical warehouse, the Group strictly complies with national standards relating to design and installation of electronic appliances, as well as national safety regulations of electronic appliances at explosive and hazardous area. For instance, the Group uses explosion-proof lighting tools at chemical warehouse; uses non-flammable PVC pipes to protect electricity wire at warehouse; installs separate switch box outside warehouse; prohibits the use of electric furnace, electric motor and other machines.

Physical and mental health

Besides daily work safety, the Group also recognises the significance of both physical and mental health. Therefore, the Group encourages its employees to maintain a work-life balance, and organises gathering and sports events and other outdoor activities, so as to help relieve their work pressure.

During the Reporting Period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

Training statistics

	Unit	Quantity
Participating employees	No. of people	190
Participating employees as % of total employees	percentage	75%
By rank		
— senior management		28.5
— executives	Total hours	45
— others		139.5

The Group focuses on growing together with its employees and provides new joiners, current employees and management with training on professional skills so as to enhance competitiveness. The Group also encourages employees to self-learn and improve during spare time. Our human resources department provides newly-joined front-line employees with job training, covering corporate system, factory regulations, fire safety, equipment usage safety, in order to help new employees understand the corporate culture and requirements of relevant positions within the Group, and familiarise with the work environment and job duties.

During the Period, the Group provided employees with various training programs to improve work performance and kept record of the participants of each session, such as:

Internal training

- Proper use of protective gear/identifying of work procedure risks, ISO knowledge and system, hygienic, healthy and safe environment (all management)

- Team training (middle-management training)

- Understanding and training of ISO9000, production safety and 7S management (all employees)

- Quality attitude (quality assurance officers)

External training

- Internal three-level documentation training (all supervisors)

Labour Standard

The Group is in strict compliance with national laws and regulations to prohibit child labour and forced labour. Human resources officers will verify the identity of candidates during recruitment process. The Group has established the Work Procedure of No Forced Labour and allows employees to make complaints through opinion box, labour union and other channels. During the Period, the Group did not have any instances of forced labour and child labour.

The Group also prohibits any harassment to employees, and employees who report any harassment and abuse incidents will be protected. Upon investigation, employees who commit inappropriate act will be interdicted from duty or face a change of posting, and/or receive verbal or written warning(s). Severe case will be sent to law enforcement authorities.

Operating Practices

Supply Chain Management

The Group places much emphasis on supply chain management, which we believe is pivotal to the sustainability of our business and product quality. As one of the essential measures to reinforce supply chain management, the Group has established the Procurement Management Procedure. The Procedure is to ensure that certified suppliers with high quality are engaged. We also have well-established procedures for procurement procedure, and procurement quality of raw materials and packaging materials accordingly.

Procurement policy

Our suppliers are mainly located in Dongguan, and nearby cities, such as Shenzhen, Guangzhou, Qingyuan and Huizhou, in order to minimise the carbon emission from transportation.

The Group has erected a designated procurement department with designated officers. Suppliers are sorted by their delivery quality, after-sales service, production scale, production capability and other indicators. Coupled with the Group's business needs, the Group will undertake integrated assessment on suppliers and rank their integrated capabilities from A to D, with those getting higher scores amongst the priority list; whilst limiting or even stopping procurement from suppliers which score low to ensure quality of raw materials. Our Procurement Department will fill out Procurement Forms based on requirements and purchase the materials needed from eligible suppliers on the list.

The Group adopted the principle of using local materials as far as reasonably possible.

Supplier communication

During the Reporting Period, the Group did not replace any major suppliers as it strives to maintain a long-term, positive relationship with them, and improve their communication and understanding, in order to provide a stability to the raw material supplies to the Group.

Product Responsibility

Quality first

The Group strictly adheres to consumer safety standards and national and international quality control regulations. The Group does not put in any substance that is harmful to the environment and human body, and is committed to offering high-quality and safe products to customers. The Group ensures that there is no residual toxic substances in the leather surface of the products we produce and that all metal accessories we produce are safe to use. Stringent examinations on the incoming raw materials are performed and the Group's major vendors also regularly perform lab test on products by way of sampling in order to comply with various applicable international safety standards.

The Group endeavours to offer high-quality products and services. It has established the stringent Quality Assurance Standard and Inspection Management Procedure. Raw materials, materials, production process and product inspection standard are regulated through internal and cross-inspection. Products are made in strict accordance with clients' requirements to ensure quality. Our Quality Assurance Department will fill out the Source Material Inspection Report for any faulty and unqualified raw materials, suggest preventive measures based on actual circumstances and instruct the Procurement Department for recall from suppliers.

During the Reporting Period, there was no material complaints or damage claim on our product and service quality from our clients.

Understanding customers' needs

The Group's retail outlets in Hong Kong offer high-quality products and services to customers. Our Employee Manual states that employees shall maintain a customer-first attitude to serve customers in an enthusiastic and polite manner. The Group will investigate and handle customer complaints, and promptly respond to these complaints and take follow-up measures. We believe that customers' feedback is vital to improving our service quality.

We also have a comprehensive complaint-handling and recall mechanism. Upon receiving customer complaints, our customer service officers will keep a record and immediately respond to them with follow-up measures. All complaints are investigated and reviewed in a serious manner and damage claims will be handled accordingly to relevant guidelines.

Safeguarding privacy and intellectual property

The Group's retail outlets in Hong Kong are exposed to enormous amount of customer data. The Group stresses the importance of safeguarding data of employees and customers. The Group strictly complies with the Personal Data (Privacy) Ordinance (《個人資料 (私隱) 條例》) (Chapter 486 of the Laws of Hong Kong) and have set out relevant guidelines to ensure proper storage of customer data, with an aim to eliminating behaviour of unauthorised edit, use, resale or use for other purposes of customer information.

The Group's daily operation does not involve the use of intellectual property such as third-party patent technology and design. Even when the Group encounters such situation, it will not steal or replicate intellectual technology and property owned by other parties. In case of self-developed patent technology and design, the Group will submit to relevant government authorities and apply for patent rights, to safeguard the Group's intangible assets and legal rights.

Advertising and labelling

The Group promotes its products of retail outlets through social media and offline campaigns to boost sales. During the Reporting Period, all advertising and publicity activities are in strict compliance with the advertising and promotion laws and regulations enforced in regions where the Group operates its businesses. The Group did not publish any advertisement with false statement that would bring damage to consumers.

During the Reporting Period, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

Anti-corruption

The Group upholds the operation principles of honesty and trustworthiness. The Group is committed to eliminating any fraud, bribery and corruption behaviour, with its formulation of Anti-business Corruption Regulation based on the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) (Cap. 201 of the Laws of Hong Kong) and other national or regional laws and regulations.

The Group has formed a Corruption Prevention and Supervision department, and has also implemented the measures of reporting box and hotline. Officers at important positions are required to obtain relevant authorisation to enter into any external contract and agreement on behalf of the company. The Group prevents its employees from participation in any money-laundering activities through internal control.

The Group endeavours to prevent any non-compliance of anti-corruption laws. To enhance corporate governance, the Group has an audit committee and hires external lawyers and auditors to review and provide opinions on the company's financial report and other compliance issues. Besides complying with the requirement to the corporate governance of listing companies enforced by the HKEx, we constantly review the effectiveness of our internal control measures to enhance governance level.

Whistle-blowing policy

The Group has a comprehensive anonymous whistle-blowing mechanism whereby reports are handled by its anti-corruption and anti-bribery department. Personal information of the whistle-blower such as name and department will be kept in strict confidence. Investigation and verification will be carried out promptly once receiving any reports. Upon confirmation, severe case will be handled by judiciary authorities. The Group will also reward and recognise the whistle-blowers.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

Community

Community Investment

The Group attaches high importance to corporate social responsibilities and has formulated the Guideline for Social Responsibilities which promotes the caring of community. During the Period, the Group encouraged its employees to spend their spare time on community activities at their community and get to know the community. While the Group participated in various charity activities during the year, it will continue to take part in other activities to give back to society and help the needy, including organising activities and joining those held by other organisations.

ESG Reporting Guide of The Stock Exchange of Hong Kong Limited

Subject Areas		Content	Section in This ESG Report
A.	Environmental Aspect		
A1	Emissions		
	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment — Emissions
A2	Use of Resources		
	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment — Use of Resources
A3	Environment and Natural Resources		
	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment — Environment and Natural Resources
B.	Social Aspect		
Employment and Labour Practices			
B1	Employment		
	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices — Recruitment, Remuneration and Dismissal Policies; Equal Opportunities, Diversity and Inclusion

Subject Areas		Content	Section in This ESG Report
B2	Health and Safety		
	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices – Health and Safety
B3	Development and Training		
	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices – Development and Training
B4	Labour Standard		
	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices – Labour Standards
Operating Practices			
B5	Supply Chain Management		
	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices — Supply Chain Management
B6	Product Responsibility		
	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices — Product Responsibility
B7	Anti-corruption		
	General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices — Anti-corruption
Community			
B8	Community Investment		
	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community — Community Investment

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 year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 25 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 6 to 8 and pages 9 to 10 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 30 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 year ended 31 December 2018, 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 27 to 39 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 year ended 31 December 2018, 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 year ended 31 December 2018, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY

During the year ended 31 December 2018, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 54 to 113 of this Annual Report.

The Directors do not recommend any payment of final dividend to shareholders for the year ended 31 December 2018.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity on page 56 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 15 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2018, amounted to approximately HK$20,885,000. 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 2018.

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 114 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 year ended 31 December 2018.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 11 to 12 of this Annual Report.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Ms Wang Wei (Chairlady) (Appointed on 8 August 2018)
Ms Li Wei (Resigned on 7 September 2018)
Mr Xu Hongwei (Appointed on 6 July 2018 and resigned on 25 July 2018)
Mr Huang Shiqiao (Appointed on 6 July 2018 and resigned on 25 July 2018)

Non-executive Director

Mr Lui Kwok Wai (Resigned on 16 March 2018)

Independent Non-executive Directors

Mr Liang Jianhai (Appointed on 13 August 2018)
Mr Wong Kwun Ho (Appointed on 13 August 2018)
Mr Chong Man Hung Jeffrey (Appointed on 7 September 2018)
Mr Cheng Shing Hay (Resigned on 7 September 2018)
Mr Yau Pak Yue (Resigned on 13 August 2018)
Mr Wong Kon Man Jason (Resigned on 7 September 2018)
Mr Shen Xiao (Resigned on 25 July 2018)

In accordance with Article 86(3) of the Company's Articles, Ms Wang Wei, Mr Liang Jianhai, Mr Wong Kwun Ho and Mr Chong Man Hung Jeffrey shall retire from office in the forthcoming annual general meeting and, being eligible, offer himself 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:

The current executive Director entered into service contract with the Company for a term of three years and 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 Directors enter into a letter of appointment with the Company and is not appointed for a specific term but is terminable by either party by giving to the other party 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 current independent non-executive Directors entered into a letter of appointment with the Company for an initial term of three years 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 11 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 year ended 31 December 2018 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 2018, 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 contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2018, 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
Xu Hongwei	Interest of a controlled corporation	347,760,406 (Note 1)	90.87
Twinkle Link Limited ("Twinkle Link")	Beneficial owner	347,760,406 (Note 1)	90.87
Mason Securities Limited	Security interest	347,760,406 (Note 2)	90.87
Mason Financial Group Limited	Interest of a controlled corporation	347,760,406 (Note 2)	90.87
Mason Financial Services Group Limited	Interest of a controlled corporation	347,760,406 (Note 2)	90.87
Mason Group Holdings Limited	Interest of a controlled corporation	347,760,406 (Note 2)	90.87

Notes:

1. 347,760,406 shares are held by Twinkle Link Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is wholly-owned by Mr Xu Hongwei.

2. The security charges entered into between Twinkle Link Limited and Mason Securities Limited ("Mason Securities"), a company incorporated in Hong Kong, dated on 10 May 2018. Mason Securities is wholly-owned by Mason Financial Group Limited ("Mason Financial Group"), a company incorporated in the British Virgin Islands. Mason Financial Group 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 Group Holding Limited, a company incorporated in Hong Kong.

Save as disclosed above, as at 31 December 2018 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

The Company has no new share option scheme as at 31 December 2017 and 2018.

There was no outstanding share option of the Company under the Share Option Scheme as at 1 January 2018 and 31 December 2018, respectively and no share option of the Company was granted, exercised, lapsed or cancelled during the year under review.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 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 year ended 31 December 2018.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2018, 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 2018.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	13.8%
– five largest suppliers combined	40.7%
Sales	
– the largest customer	17.5%
– five largest customers combined	42.9%

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.

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 year ended 31 December 2018 except for the deviations from the Code Provisions A.2.1 and C.2.5 in respect of i) the separation of roles of the chairman of the Board (the "Chairman") and chief executive of the Company and ii) the internal audit function respectively. Details are set out in the section headed "Corporate Governance Report" on pages 13 to 26 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Immediately upon the close of the mandatory unconditional cash offer made by First Shanghai Securities Limited on behalf of Twinkle Link Limited to acquire all the issued shares of the Company (other than those already beneficially owned or acquired by Twinkle Link Limited and parties acting in concert with it), on 25 July 2018, 34,943,594 Shares were held by the public, representing approximately 9.13% of the then entire issued share capital of the Company. The Company therefore did not fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 25 July 2018 to 1 February 2019. On 25 January 2019, the Company was informed by the placing agent that the 60,736,000 shares, representing approximately 15.87% of the issued share capital of the Company had been placed through the placing agent to independent placees (the "Placing"). Immediately after the completion of the Placing, a total of 95,679,594 Shares, representing 25.00% of the issued share capital of the Company, are held by the public. As such, the public float of Company has been restored to at least 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained the required public float for its shares as required under the Listing Rules throughout the period immediately after the completion of the Placing.

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 Chong Man Hung Jeffrey (Chairman), Mr Wong Kwun Ho and Mr Liang Jianhai. The Audit Committee has reviewed and discussed with the management and the external auditor the financial reporting matters including the annual results for the year ended 31 December 2018.

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

Wang Wei
Chairlady

Hong Kong, 27 March 2019

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF ASCENT INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ascent International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 113, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2018 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(d) to the consolidated financial statements which indicates that the Group has continued to sustain loss with a significant increase in loss for the year. The loss for the year ended 31 December 2018 amounted to HK$31,466,000 and the net current assets and the net assets had decreased to HK$26,967,000 and HK$28,057,000 respectively as at 31 December 2018. As stated in note 3(d), these conditions along with other matters as set forth in note 3(d) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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. In addition to the matters described in the "Material Uncertainty Related to Going Concern" section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Net realisable value of inventories

Refer to Notes 5 and 16 to the consolidated financial statements and the accounting policy on inventories as shown in Note 4(h) to the consolidated financial statements.

The carrying amount of the Group's inventories as at 31 December 2018 was HK$14,096,000 after a write-down of inventories amounting to HK$6,127,000 was recognised in the Group's profit or loss for the year ended 31 December 2018.

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 differ from future selling prices or subsequent estimated net realisable value, a material write-down or reversal of 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 2018. 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 2018 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 inventories 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 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' RESPONSIBILITIES 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 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 assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process in this regard.

AUDITOR'S RESPONSIBILITIES 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.

- 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 matters. 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

Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**63,900**	78,937
Cost of sales		**(41,925)**	(43,958)
Gross profit		**21,975**	34,979
Other income and gains		**1,764**	335
Selling and distribution costs		**(14,643)**	(22,936)
Administrative and other operating expenses		**(38,489)**	(29,054)
Finance cost	27(a)(iii)	**(87)**	—
Share of loss of a jointly controlled entity	8	**(1,986)**	—
Loss before income tax expense	9	**(31,466)**	(16,676)
Income tax expense	12	**—**	—
Loss from continuing operations		**(31,466)**	(16,676)
Profit from discontinued operation	13	**—**	2,451
Loss for the year attributable to owners of the Company		**(31,466)**	(14,225)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of operations outside Hong Kong		**(2,003)**	639
Other comprehensive income arising from discontinued operation	13	**—**	153
Other comprehensive income for the year		**(2,003)**	792
Total comprehensive income for the year attributable to owners of the Company		**(33,469)**	(13,433)
Attributable to:			
Continuing operations		**(33,469)**	(16,037)
Discontinued operation		**—**	2,604
Total comprehensive income for the year		**(33,469)**	(13,433)
Loss per share from continuing operations attributable to owners of the Company			
— Basic and diluted	14	**(HK8.22 cents)**	(HK4.74 cents)
Loss per share attributable to owners of the Company			
— Basic and diluted	14	**(HK8.22 cents)**	(HK4.05 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**506**	662
Deposits paid		**584**	1,226
		1,090	1,888
Current assets			
Inventories	16	**14,096**	28,275
Trade and bills receivables	17	**7,074**	8,402
Other receivables, deposits and prepayments		**3,965**	4,275
Amounts due from former fellow subsidiaries	19	**8**	—
Amounts due from fellow subsidiaries	19	**—**	8
Tax recoverable		**268**	284
Bank balances and cash		**25,729**	44,507
		51,140	85,751
Current liabilities			
Trade payables	18	**2,643**	3,754
Other payables and accrued charges		**7,769**	9,563
Amounts due to former fellow subsidiaries	19	**8,171**	—
Amount due to a former intermediate holding company	19	**5,590**	—
Amounts due to fellow subsidiaries	19	**—**	7,206
Amount due to an intermediate holding company	19	**—**	5,590
		24,173	26,113
Net current assets		**26,967**	59,638
Total assets less current liabilities/Net assets		**28,057**	61,526
Capital and reserves attributable to owners of the Company			
Share capital	21	**3,827**	3,827
Reserves		**24,230**	57,699
Total equity		**28,057**	61,526

On behalf of the Board

Wang Wei
Executive Director

Chong Man Hung Jeffrey
Independent Non-executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$'000 (Note 21)	Share premium HK$'000 (Note 24(i))	Foreign exchange reserve HK$'000 (Note 24(iii))	Statutory and discretionary reserves HK$'000 (Note)	Accumulated losses HK$'000 (Note 24 (ii))	Total HK$'000
At 1 January 2017	3,479	53,808	2,982	5,249	(14,859)	50,659
Loss for the year	–	–	–	–	(14,225)	(14,225)
Disposal of subsidiaries (Note 13)	–	–	153	–	–	153
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	639	–	–	639
Total comprehensive income for the year	–	–	792	–	(14,225)	(13,433)
Shares issued under a subscription agreement, net of issue expenses of HK$234,000 (Note 21(a))	348	23,952	–	–	–	24,300
At 31 December 2017 and 1 January 2018	3,827	77,760	3,774	5,249	(29,084)	61,526
Loss for the year	–	–	–	–	(31,466)	(31,466)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	(2,003)	–	–	(2,003)
Total comprehensive income for the year	–	–	(2,003)	–	(31,466)	(33,469)
At 31 December 2018	3,827	77,760	1,771	5,249	(60,550)	28,057

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 year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before income tax expense			
Continuing operations		**(31,466)**	(16,676)
Discontinued operation		**—**	2,451
Loss before income tax including discontinued operation		**(31,466)**	(14,225)
Adjustments for:			
Interest income		**(78)**	(55)
Finance cost		**87**	—
Depreciation of property, plant and equipment		**165**	216
Impairment loss on trade and bills receivables, net	30(iii)	**211**	7
Write-down/(reversal of write-down) of inventories		**6,127**	(3,044)
Write-off of long outstanding other payables		**(912)**	—
Loss on disposal of a jointly controlled entity, net of transaction cost	8	**204**	—
Share of loss of a jointly controlled entity	8	**1,986**	—
Gain on disposal of on property, plant and equipment		**—**	(38)
Gain on disposal of a subsidiary, net of transaction cost	13	**—**	(4,809)
Operating loss before working capital changes		**(23,676)**	(21,948)
Decrease in deposits paid		**642**	2,053
Decrease in inventories		**7,055**	11,618
Decrease in trade and bills receivables		**1,113**	5,345
Decrease in other receivables, deposits and prepayments		**235**	787
Decrease in trade payables		**(981)**	(68)
Decrease in other payables and accrued charges		**(1,231)**	(2,083)
Cash used in operations		**(16,843)**	(4,296)
Interest paid		**(87)**	—
Net cash used in operating activities		**(16,930)**	(4,296)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Investment in a jointly controlled entity	8	**(20,000)**	—
Sales proceeds from disposal of a jointly controlled entity	8	**18,000**	—
Interest received		**78**	55
Purchases of property, plant and equipment		**(19)**	(10)
Payment for the professional fees related to disposal of a jointly controlled entity	8	**(190)**	—
Net cash outflow from disposal of a subsidiary	13(iii)	**—**	(2,098)
Payment for the professional fees related to disposal of a subsidiary	13(iii)	**—**	(86)
Sales proceeds from disposal of property, plant and equipment		**—**	152
Increase in amount due from a fellow subsidiary		**—**	(2,630)
Net cash used in investing activities		**(2,131)**	(4,617)
Cash flows from financing activities			
Increase in amounts due to former fellow subsidiaries	29(b)	**965**	—
Advance from a jointly controlled entity		**6,500**	—
Repayment to a jointly controlled entity		**(6,500)**	—
Decrease in amount due to a director	29(b)	**—**	(121)
Increase in amounts due to fellow subsidiaries	29(b)	**—**	7,116
Proceeds from issue of shares, net of issue expenses of HK$234,000		**—**	24,300
Net cash generated from financing activities		**965**	31,295
Net (decrease)/increase in cash and cash equivalents		**(18,096)**	22,382
Cash and cash equivalents at beginning of year		**44,507**	21,475
Effect of exchange rate changes on cash and cash equivalents		**(682)**	650
Cash and cash equivalents at end of year represented by bank balances and cash		**25,729**	44,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. GENERAL

Ascent International Holdings 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").

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.

During the year ended 31 December 2017, the Company, through a wholly-owned subsidiary, had commenced the provision of property management services to a former fellow subsidiary and ceased this operation upon completion of disposal of this subsidiary on 4 September 2017 as detailed in note 13.

The directors of the Company considered the Company's ultimate holding company as at 31 December 2017 was Zhonghong Holding Co. Ltd, a company established in the People's Republic of China and its ultimate controlling party was Mr Wang Yonghong.

As disclosed in the Company's joint announcement dated 18 May 2018, Zhurong Global Limited, an immediate holding Company of the Company, had transferred approximately 60.09% of the issued shares of the Company to Twinkle Link Limited ("Twinkle Link"), a company incorporated in the British Virgin Islands on 11 May 2018. As at 31 December 2018, the directors of the Company consider the Company's immediate and ultimate holding company is Twinkle Link which is ultimately controlled by Mr Xu Hongwei. As at 31 December 2018, Twinkle Link held approximately 90.87% of the total issued shares of the Company since it had completed the mandatory unconditional cash offer to acquire all the issued shares of the Company as detailed in the Company's joint announcement dated 25 July 2018. The percentage of issued shares of the Company held by Twinkle Link was subsequently reduced to approximately 75% upon completion of placement of certain of these shares on 25 January 2019.

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

(a) Adoption of new/revised to HKFRSs — effective 1 January 2018

During the year, the Group has adopted a number of new/revised HKFRSs that are relevant to its operations and effective for the current accounting period.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

The impacts of adoption of these new/revised HKFRSs that are relevant to the consolidated financial statements are set out below.

HKFRS 9 — Financial Instruments ("HKFRS 9")

HKFRS 9 replaced the standard on accounting for financial instruments, Hong Kong Accounting Standard 39 "Financial instruments: Recognition and measurement" (HKAS 39). HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes in the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

(i) Classification and measurement of financial instruments

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). This superseded HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

Financial assets measured at amortised cost

The Group's financial assets are classified and measured at amortised cost as they meet both of the following conditions and they have not been designated as at FVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The Group has assessed that all its financial assets previously classified as loan and receivables (comprising trade and bills receivables, other receivables and deposits paid, amounts due from fellow subsidiaries and bank balances and cash) are classified as financial assets measured at amortised cost with no change in their measurement upon the adoption of HKFRS 9.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit losses" ("ECLs") model. Under the ECLs model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month ECLs or a lifetime ECLs, depending on the asset and the facts and circumstances.

The Group has applied the ECLs model to the financial assets measured at amortised cost comprising trade and bills receivables, other receivables and deposits paid, amounts due from fellow subsidiaries and bank balances and cash.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group's accounting policy for impairment of financial assets are disclosed in note 4(f)(ii).

Trade and bills receivables

The Group has elected to measure loss allowances for trade and bills receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

There was no material impact on the loss allowance as at 1 January 2018 which was determined in accordance with HKFRS 9 and accordingly, no opening adjustment was made as at 1 January 2018. The loss allowances further increased by HK$211,000 for trade debtors and bills receivable during the year ended 31 December 2018. The details of the calculation of the loss allowance is disclosed in note 30(iii)

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost of the Group comprise other receivables, amounts due from fellow subsidiaries, deposits paid and bank balances and cash. Applying ECLs model, the ECLs as at 1 January 2018 were immaterial and therefore no opening adjustment at 1 January 2018 has been recognised. There was no increase in the loss allowance recognised during the year ended 31 December 2018 as the amount involved is insignificant.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments (if any) arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

There was no adjustment on the carrying amounts of the Group's financial assets and financial liabilities upon adoption of HKFRS 9. Accordingly, no opening adjustment at 1 January 2018 has been recognised.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 and its amendments supersede HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method and has applied the new requirements only to contracts that were not completed before 1 January 2018 as permitted by HKFRS 15. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 January 2018, if any. As a result, the financial information presented for 2017 has not been restated.

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

(a) *Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)*

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Regarding timing of revenue recognition, previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from manufacturing and trading of leather products, and retails of fashion apparel, footwear and leather accessories.

HKFRS 15 includes specific guidance on particular revenue related topics and also significantly enhances the qualitative and quantitative disclosures related to revenue. The application of HKFRS 15 has resulted in more disclosures. However, there was no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarification 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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and has taken up the clarifications in its first year of adoption of HKFRS 15.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on the financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

(a) *Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)*

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on the financial statements as the Group is not a venture capital organisation.

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

Up to the date of issue of the consolidated financial statements, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been early adopted in the consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
HKFRS 16, Lease	1 January 2019
Amendments to HKAS 1 and HKAS 8, Definition of Material	1 January 2020
HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments	1 January 2019

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

As disclosed in note 4(e), currently the Group classifies leases into operating leases, and account for the lease arrangements, according to the nature of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease. The lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of comprehensive income over the period of the lease. As disclosed in note 26, as at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$10,842,000, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives.

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

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

Amendments to HKAS 1 and HKAS 8, Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3. BASIS OF PREPARATION

(a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("The Hong Kong 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.

(d) *Going concern basis*

The Group has continued to sustain loss with a significant increase in loss for the year. The loss for the year ended 31 December 2018 amounted to HK$31,466,000 and the net current assets and the net assets had decreased to HK$26,967,000 and HK$28,057,000 respectively as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the directors have prepared a cash flow forecast of the Group covering a period up to 31 March 2020 (the "Forecasted Period") and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2018 after taking into account of the following:

(i) the Group will be able to maintain its scale of existing business at least similar to that of the year ended 31 December 2018 and undertake certain measures to reduce operating expenses so as to reduce the Group's operating loss and working capital requirements during the Forecasted Period;

3. BASIS OF PREPARATION (CONTINUED)

(d) Going concern basis (Continued)

(ii) As detailed in the Company's announcement dated 3 January 2019, the Company was informed by Mason Securities Limited ("Mason Securities") that on 21 December 2018, Mason Securities entered into a letter of intent with a potential purchaser ("Purchaser"), which sets out, among other things, the non-legally binding provisions in respect of the intention of the Purchaser (as purchaser) to purchase, and Mason Securities (as chargee of the approximately 75% of the issued shares ("Subject Shares") of the Company held by the Company's ultimate holding company, Twinkle Link) to exercise its rights under a share charge and other related documents to effect the transfer (the "Transfer") from Twinkle Link to the Purchaser of, the Subject Shares.

After completion of the Transfer, the Company will seek the financial support from the Purchaser and the directors expect that the Purchaser will provide sufficient working capital to the Group to meet its financial obligations as and when they fall due; and

(iii) The Company has requested a financial institution ("financial institution") to provide a loan facility of no more than HK$30 million with maturity of 18 months from date of drawn down to the Company so as to strengthen the Group's available working capital. The financial institution has indicated that it will provide the loan facility to the Company subject to all necessary internal approval. The directors consider that the Company will be able to obtain and utilise this loan facility as necessary to meet the Group's working capital requirements.

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to re-classify non-current assets to current assets. The effect of these adjustments have not been reflected in the consolidated financial statements.

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.

(c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries. The Group classifies its interest in joint arrangements as a joint venture (i.e. jointly controlled entity) where the Group has rights to only the net assets of the joint arrangement.

The Group accounts for its interest in joint venture using the equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses. Profits and losses arising on transactions between the Group and its joint venture are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture 's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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)

(f) Financial instruments

(i) Financial assets

Accounting policies applied from 1 January 2018

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's debt instruments are classified as financial assets at amortised cost.

Financial assets including trade and bills receivables, other receivables and deposits paid, amounts due from former fellow subsidiaries and bank balances and cash that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

Loans and receivables, including trade and bills receivables, other receivables deposits paid, amounts due from fellow subsidiaries 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

Accounting policies applied from 1 January 2018

The Group recognises loss allowances for ECLs on trade and bills receivables and other financial assets measured at amortised cost (including other receivables, amounts due from fellow subsidiaries, deposits paid and bank balances and cash). The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and bills receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of an other debt financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group takes into account the following information when assessing whether credit risk has increased significantly since initial recognition and assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due irrespective of the outcome of the above assessment.

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

<u>Accounting policies applied until 31 December 2017</u>
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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

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.

(iii) Financial liabilities

Accounting policies applied from 1 January 2018 and applied until 31 December 2017

Financial liabilities at amortised cost including trade payables, other payables and accrued charges, amounts due to former fellow subsidiaries and amount due to a former intermediate holding company. They are initial measured at fair value, net of directly attributable transaction cost incurred. Subsequently, they are measured at amortised cost, using the 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

Accounting policies applied from 1 January 2018 and applied until 31 December 2017

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) Derecognition

Accounting policies applied from 1 January 2018 and applied until 31 December 2017

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.

(g) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(h) Inventories and other contract costs

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.

Other contract costs are the incremental costs of obtaining a contract with a customer. Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group has applied the practical expedient to recognise these incremental costs as expenses when incurred as the amortisation period of these assets that the Group would otherwise have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (Continued)

(i) Sale of goods

Revenue from sales of leather products is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by customers. For retail of fashion apparel, footwear and leather accessories, revenue is recognised when the customer has taken possession of and accepted the goods. The corresponding trade or bills receivable or cash received are recognised in the financial statements as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days for sales of leather products. For certain customers such as new customers, deposits paid in advance are required before goods are delivered. No credit term is granted to customers from retail of fashion apparel, footwear and leather accessories and cash or credit card payment is required upon goods received by customers.

In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

The Group's contracts with customers from the sale of leather products and retail of fashion apparel, footwear and leather accessories generally do not provide customers a right of return (a right to exchange another product or right to refund in cash). In addition, return of defective products seldom occurs as goods sold to customers generally meet the objective specifications required by customers or the customers have accepted the goods when they have taken possession of the goods and made payments. Any necessary costs incurred in replacement or rectification of defective goods sold are insignificant to the consolidated financial statements. No warranty is provided by the Group for goods sold to customers.

The Group gives certain discount on selling price to those customers from retail business who have accumulated a specific amount of purchases from the Group within a specific period of time. The period of entitlement of discount is generally one year. Based on the Group's historical experience and the estimate of the customers who will be eligible to utilise this discount, the financial impact on the consolidated financial statements is insignificant.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Dividend income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Related parties (Continued)

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

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 may 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.

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 differ from the original estimate, a material write-down or reversal of write-down may arise.

Impairment loss on trade receivables

The assessment of impairment losses on financial assets measured at amortised cost is performed based on expected credit losses model commencing from 1 January 2018 (incurred loss model until 31 December 2017) as detailed in the accounting policies and note 4(f)(ii). The Group uses judgements and estimates, and makes assumptions and selects inputs as considered appropriate in performing the impairment assessment. Any change in the estimates, assumptions and inputs adopted in the assessment would increase or decrease the impairment losses for the year and affect the Group's net asset value.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies

Going concern basis

As disclosed in note 3 (d), the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group covering a period up to 31 March 2020. Such forecast about the future inherently involve various assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

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

During the year ended 31 December 2017, the Company, through a wholly-owned subsidiary, had commenced the provision of property management services to a fellow subsidiary and ceased this operation upon completion of disposal of this subsidiary on 4 September 2017. The financial information of this operating segment for the year ended 31 December 2017 is presented as discontinued operation as set out in note 13.

6. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

	Manufacturing business		Retail business		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**43,099**	51,049	**20,801**	27,888	**63,900**	78,937
Inter-segment revenue	**4,321**	6,101	**–**	–	**4,321**	6,101
Reportable segment revenue	**47,420**	57,150	**20,801**	27,888	**68,221**	85,038
Reportable segment loss	**(11,697)**	(2,764)	**(1,899)**	(3,059)	**(13,596)**	(5,823)
Depreciation of property, plant and equipment	**95**	132	**32**	40	**127**	172
Write-down (Reversal of write-down) of inventories	**4,882**	(2,027)	**1,245**	(1,017)	**6,127**	(3,044)
Additions to property, plant and equipment	**–**	6	**–**	4	**–**	10
Reportable segment assets	**39,209**	51,262	**7,905**	12,897	**47,114**	64,159
Reportable segment liabilities	**7,537**	11,067	**674**	912	**8,211**	11,979

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

6. SEGMENT REPORTING (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Revenue		
Reportable segment revenue	**68,221**	85,038
Elimination of inter-segment revenue	**(4,321)**	(6,101)
Consolidated revenue	**63,900**	78,937
Loss before income tax expense		
Reportable segment loss	**(13,596)**	(5,823)
Elimination of inter-segment losses/(gains)	**852**	(483)
Interest income	**78**	55
Unallocated corporate expenses (Note (i))	**(18,800)**	(10,425)
Consolidated loss before income tax expense	**(31,466)**	(16,676)
Depreciation of property, plant and equipment		
Reportable segment depreciation	**127**	172
Depreciation of unallocated property, plant and equipment	**38**	44
Consolidated depreciation of property, plant and equipment	**165**	216
Additions to property, plant and equipment		
Reportable segment additions	**—**	10
Unallocated additions to property, plant and equipment	**19**	—
Consolidated additions to property, plant and equipment	**19**	10
Assets		
Reportable segment assets	**47,114**	64,159
Tax recoverable	**268**	284
Unallocated corporate bank balances and cash	**3,898**	22,607
Other unallocated corporate assets	**950**	589
Consolidated total assets	**52,230**	87,639
Liabilities		
Reportable segment liabilities	**8,211**	11,979
Amounts due to former fellow subsidiaries	**8,171**	—
Amount due to a former intermediate holding company	**5,590**	—
Amounts due to fellow subsidiaries	**—**	7,206
Amount due to an intermediate holding company	**—**	5,590
Unallocated corporate liabilities (Note (ii))	**2,201**	1,338
Consolidated total liabilities	**24,173**	26,113

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 accrued head office expenses including professional fees and staff costs.

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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**23,179**	32,876	**262**	309
Europe	**14,343**	14,513	**—**	—
The PRC	**2,143**	2,864	**244**	353
The United States of America	**15,231**	15,594	**—**	—
Other countries	**9,004**	13,090	**—**	—
Total	**40,721**	46,061	**244**	353
	63,900	78,937	**506**	662

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 accounting for 10% or more of the Group's revenue is set out below:

	2018	2017
	HK$'000	HK$'000
Customer A	**11,175**	8,995

7. REVENUE

The principal activities of the Group are manufacturing and distribution of leather products, and retail of fashion apparel, footwear and leather accessories. In last year, the Group had ceased the rendering of property management services which was reclassified as "discontinued operation", the details of which as set out in note 13.

The amount of each significant category of revenue from continuing operations is as follows:

	2018 **HK$'000**	2017 HK$'000
Sales of goods		
Manufacturing and distribution of leather products	**43,099**	51,049
Retail of fashion apparel, footwear and leather accessories	**20,801**	27,888
	63,900	78,937

Revenue from sales of goods is recognised at a point in time when the control of goods has been passed to customers.

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 December **2018** **HK$'000**	**1 January** **2018** **HK$'000**
Trade debtors and bills receivables (note 17)	**7,074**	**8,402**
Contract liabilities	**283**	**227**

7. REVENUE (CONTINUED)

The contract liabilities represent advanced considerations received from customers before the Group transfers the control of goods to customers. The contract liabilities of HK$227,000 as at 1 January 2018 previously presented as advances from third parties (included in other payables and accrued charges) as at 31 December 2017 has been reclassified as contract liabilities under the terminology of HKFRS 15. The movements of the contract liabilities are set out below:

	2018 HK$'000
Movements in contract liabilities	
Balance as at 1 January 2018	**227**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(227)**
Increase in contract liabilities as a result of receipts in advance from customers during the year	**283**
Balance as at 31 December 2018	**283**

Contract liabilities as at 31 December 2018 will be recognised as revenue in next financial year.

8. SHARE OF LOSS OF A JOINTLY CONTROLLED ENTITY

On 23 January 2018, Elite Ascent Investments Limited ("Elite Ascent"), a direct wholly-owned subsidiary of the Company, Ms Leung Shuk Ching, Jubilee Ventures International Limited and Eastation Gallery (HK) Limited (the "JV Company") entered into a joint venture agreement, pursuant to which Elite Ascent had subscribed for 300 shares of the JV Company at a total subscription price of HK$20 million which represented 30% of the enlarged issued share capital in the JV Company upon completion of the subscriptions of shares by its shareholders. The JV Company is principally engaged in consultation and trading of artworks and the operating of an art gallery in Hong Kong.

Management considered that the performance of the JV Company was not able to reach the expectation since acquisition. On 17 August 2018, the Group completed the disposal of its entire 30% equity interest in the JV Company to another shareholder of the JV Company, Jubilee Ventures International Limited, for a cash consideration of HK$18 million pursuant to a sale and purchase agreement. It had resulted in a loss on disposal of HK$204,000, net of disposal expenses of HK$190,000, during the year ended 31 December 2018. The Group's share of the loss of the JV Company for the year since acquisition amounted to HK$1,986,000.

9. LOSS BEFORE INCOME TAX EXPENSE

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

	2018 **HK$'000**	2017 HK$'000
Auditor's remuneration	**800**	800
Cost of inventories	**41,925**	43,958
Employee costs, excluding directors' emoluments (Note 10)	**30,753**	39,929
Depreciation of property, plant and equipment	**165**	216
Gain on disposal of property, plant and equipment	**—**	(38)
Loss of disposal of a jointly controlled entity	**204**	—
Impairment loss on trade and bills receivables, net	**211**	7
Write-down/(reversal of write-down) of inventories, net (included in cost of sales)	**6,127**	(3,044)
Write off of long outstanding other payables	**(912)**	—
Foreign exchange gains, net	**(537)**	(951)
Interest income	**(78)**	(55)

10. EMPLOYEE COSTS, EXCLUDING DIRECTORS' EMOLUMENTS

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**30,288**	37,423
Retirement benefits scheme contributions	**465**	2,506
	30,753	39,929

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) *Directors' emoluments*

Details of directors' emoluments for the year ended 31 December 2018 are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2018				
Executive directors:				
Wang Wei				
(Appointed on 8 August 2018)	**286**	**–**	**–**	**286**
Li Wei				
(Resigned on 7 September 2018)	**82**	**2,396**	**–**	**2,478**
Xu Hongwei				
(Appointed on 6 July 2018 and resigned on 25 July 2018)	**–**	**–**	**–**	**–**
Huang Shiqiao				
(Appointed on 6 July 2018 and resigned on 25 July 2018)	**–**	**–**	**–**	**–**
Independent non-executive directors:				
Wong Kwun Ho				
(Appointed on 13 August 2018)	**71**	**–**	**–**	**71**
Liang Jianhai				
(Appointed on 13 August 2018)	**71**	**–**	**–**	**71**
Chong Man Hung Jeffrey				
(Appointed on 7 September 2018)	**61**	**–**	**–**	**61**
Cheng Shing Hay				
(Resigned on 7 September 2018)	**206**	**–**	**–**	**206**
Shen Xiao (Resigned on 25 July 2018)	**82**	**–**	**–**	**82**
Wong Kon Man, Jason (Resigned on 7 September 2018)	**206**	**–**	**–**	**206**
Yau Pak Yue				
(Resigned on 13 August 2018)	**197**	**–**	**–**	**197**
	1,262	**2,396**	**–**	**3,658**
Non-executive director:				
Lui Kwok Wai				
(Resigned on 16 March 2018)	**–**	**–**	**–**	**–**
Total	**1,262**	**2,396**	**–**	**3,658**

11. 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 December 2017				
Executive directors:				
Li Wei				
(Appointed on 15 September 2017)	35	5	–	40
Wu David Hang				
(Resigned on 15 September 2017)	–	662	31	693
Hou Jian				
(Resigned on 15 September 2017)	–	–	–	–
Independent non-executive directors:				
Cheng Shing Hay				
(Appointed on 15 September 2017)	42	–	–	42
Shen Xiao				
(Appointed on 18 October 2017)	29	–	–	29
Wong Kon Man, Jason				
(Appointed on 4 October 2017)	35	–	–	35
Yau Pak Yue				
(Appointed on 18 September 2017)	41	–	–	41
Ernst Rudolf Zimmermann				
(Resigned on 18 September 2017)	163	–	–	163
Ng Man Fai Matthew				
(Resigned on 13 October 2017)	116	–	–	116
Wong Yik Chung John				
(Resigned on 20 September 2017)	108	–	–	108
	569	667	31	1,267
Non-executive director:				
Lui Kwok Wai				
(Appointed on 28 February 2017 and resigned on 16 March 2018)	–	–	–	–
Total	569	667	31	1,267

No directors waived any emoluments during the years ended 31 December 2018 and 2017.

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

(b) *Five highest paid individuals*

Of the five individuals with the highest emoluments in the Group, one (2017: Nil) was director of the Company whose emoluments are included in the disclosures in Note 11(a) above. The emoluments of the remaining four (2017: five) individuals were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**5,760**	4,047
Discretionary bonuses	**40**	189
Retirement benefits scheme contributions	**23**	167
	5,823	4,403

The emoluments of the top four (2017: Five) individuals were within the following bands:

	2018 **No. of** **individuals**	2017 No. of individuals
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,500,000	**3**	—

During the years ended 31 December 2018 and 2017, 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.

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

	2018 **No. of** **individuals**	2017 No. of individuals
Nil to HK$1,000,000	**11**	13
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,500,000	**4**	—

12. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax have been made as the Group has sustained estimated tax losses for the years ended 31 December 2018 and 2017.

PRC Enterprise Income Tax rate for the Company's subsidiaries in the PRC is 25% (2017: 25%).

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

	2018 **HK$'000**	2017 HK$'000
Loss from continuing operations before taxation	**(31,466)**	(16,676)
Profit from discontinued operation before taxation (Note 13(i))	**—**	2,451
Loss before income tax expense	**(31,466)**	(14,225)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(5,192)**	(2,347)
Tax effect of expenses not deductible for tax purpose	**4,058**	3,332
Tax effect of income not taxable for tax purpose	**(20)**	(1,810)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(229)**	(1,069)
Tax effect of tax losses not recognised	**1,525**	3,170
Utilisation of tax losses previously not recognised	**—**	(1,326)
Tax effect of other deductible temporary differences not recognised	**(142)**	50
Income tax expense	**—**	—

12. INCOME TAX EXPENSE (CONTINUED)

In February 2018, the Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on certain subsidiaries of the Company. As the year of assessment 2011/12 would be statutorily time-barred after 31 March 2018, the IRD had issued assessment/additional assessments amounting to HK$648,000 to these subsidiaries to keep the year of assessment 2011/12 open for review. Objection against these assessment/additional assessment has been duly lodged by the subsidiaries and no additional payment is required to be made by the Group up to 31 December 2018.

On 11 March 2019, the IRD issued additional assessments amounting to HK$485,000 to these subsidiaries for the year of assessment 2012/13. Objection against these additional assessments will be raised by the Company in April 2019.

Up to the present, the tax audit has not yet been commenced by the IRD and is still pending for fact-finding with different views to be exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with reasonable certainty. Nevertheless, management have performed assessment and based on the existing facts and circumstances, they consider the aforementioned subsidiaries have properly complied with the applicable Inland Revenue Ordinance in preparation of their Hong Kong Profits Tax computations for previous years. Therefore, for the purpose of the current year's Hong Kong Profits Tax computation of these subsidiaries, management have followed the same basis as adopted in the prior years and consider no additional provision of Hong Kong Profits Tax is required to be made in the financial statements for the year ended 31 December 2018 in respect of the current and prior years. Management have sought for assistance from tax specialists in handling the tax audit.

13. DISCONTINUED OPERATION

As mentioned in note 6, on 4 September 2017, the Company completed the disposal of its 100% equity interest in a wholly-owned subsidiary, Leisure State Limited, and its subsidiaries (collectively "Leisure Group") to the then fellow subsidiary of the Company at a nominal cash consideration of HK$1. The Group had decided to cease the provision of property management services because Leisure Group had sustained loss since the commencement of its business during the year ended 31 December 2017 and management expected it would have difficulty in securing new business with third-party customers in the near future. Following the decision and completion of disposal of Leisure Group, this business is re-classified as a discontinued operation and is no longer included in operating segment information.

(i) The financial performance for the period from 1 January 2017 to 4 September 2017 (date of disposal) is presented as follows:

	For the period from 1 January 2017 to 4 September 2017 HK$'000
Revenue	**10,021**
Cost of sales	**(6,204)**
Gross profit	**3,817**
Other income	**10**
Administrative and other operating expenses	**(6,185)**
Loss before income tax of discontinued operation	**(2,358)**
Income tax expense	**–**
Loss after income tax of discontinued operation	**(2,358)**
Net gain on disposal of Leisure Group after income tax and transaction costs (Note 13 (iii))	**4,809**
Profit from discontinued operation	**2,451**
Other comprehensive income	
Exchange differences on translation of discontinued operation	**153**
Total comprehensive income from discontinued operation	**2,604**

Note: The revenue generated with respect to property management services provided to properties developed by Zhonghong Holding Co., Limited, the former holding company of the Company, and its subsidiaries amounted to HK$9,879,000. The remaining portion of the revenue of HK$142,000 was attributable to property management services provided to independent third party customers.

13. DISCONTINUED OPERATION (CONTINUED)

(ii) Net cash flows for the period from 1 January 2017 to 4 September 2017 (date of disposal) were as follows:

	For the period from 1 January 2017 to 4 September 2017 HK$'000
Net cash inflows from operating activities	**702**
Net cash outflows from investing activities	**(2,609)**
Net cash inflows from financing activities	**2,080**
Net increase in cash and cash equivalents	**173**

Earnings per share	
Basic and diluted, from the discontinued operation	**0.70 cents**

The calculations of basic and diluted earnings per share from the discontinued operation for the year ended 31 December 2017 are based on:

	2017 HK$'000
Profit attributable to owners of the Company from discontinued operation	**2,451**
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**351,622**

13. DISCONTINUED OPERATION (CONTINUED)

(iii) Details of disposal

	2017 HK$'000
Nominal cash consideration received (HK$1)	—
Carrying amount of the net liabilities sold	5,048
Reclassification of foreign exchange reserve upon disposal	(153)
Transaction costs incurred for the disposal transaction	(86)
Net gain on disposal after income tax and transaction costs	4,809

The carrying amounts of assets and liabilities as at the date of disposal of 4 September 2017 are as follows:

	As at 4 September 2017 HK$'000
Trade and other receivables	156
Amounts due from fellow subsidiaries	2,667
Cash and bank balances	2,098
Total assets	4,921
Trade and other payables	(5,616)
Amounts due to fellow subsidiaries	(4,353)
Total liabilities	(9,969)
Net liabilities	(5,048)
Net cash flow form disposal of a subsidiary	
Cash consideration received (HK$1)	—
Cash and bank balances of subsidiaries disposed of	(2,098)
Net outflow of cash and cash equivalents in respect of disposal of the subsidiary	(2,098)

14. LOSS PER SHARE

(a) *Basic loss per share*

The calculations of basic loss per share from continuing operations and basic loss per share are based on:

Loss from continuing operations and loss attributable to owners of the Company are calculated as follows:

	2018 **HK$'000**	2017 HK$'000
Loss from continuing operations	**(31,466)**	(16,676)
Profit from discontinued operation (Note 13(i))	**–**	2,451
Loss attributable to owners of the Company	**(31,466)**	(14,225)

The weighted average number of 382,704,000 ordinary shares (2017: 351,622,000 ordinary shares) in issue during the year ended 31 December 2018 is used for calculations of basic loss per share from continuing operations and basic loss per share attributable to owners of the Company.

(b) *Diluted loss per share*

For the years ended 31 December 2018 and 2017, basic and diluted loss per share are the same as there are no potential dilutive ordinary shares in issue for both years.

15. 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 January 2018	7,431	6,117	13,654	2,106	29,308
Additions	–	19	–	–	19
Disposal	–	(527)	(1,901)	–	(2,428)
Exchange realignment	(144)	(9)	–	(43)	(196)
At 31 December 2018	7,287	5,600	11,753	2,063	26,703
Accumulated depreciation and impairment					
At 1 January 2018	7,326	5,947	13,422	1,951	28,646
Depreciation	32	38	49	46	165
Eliminated on disposals	–	(527)	(1,901)	–	(2,428)
Exchange realignment	(140)	(7)	–	(39)	(186)
At 31 December 2018	7,218	5,451	11,570	1,958	26,197
Net book value					
At 31 December 2018	69	149	183	105	506
Cost					
At 1 January 2017	7,260	6,106	13,654	2,486	29,506
Additions	6	4	–	–	10
Disposal	–	(4)	–	(430)	(434)
Exchange realignment	165	11	–	50	226
At 31 December 2017	7,431	6,117	13,654	2,106	29,308
Accumulated depreciation and impairment					
At 1 January 2017	7,124	5,900	13,357	2,162	28,543
Depreciation	44	43	65	64	216
Eliminated on disposals	–	(4)	–	(316)	(320)
Exchange realignment	158	8	–	41	207
At 31 December 2017	7,326	5,947	13,422	1,951	28,646
Net book value					
At 31 December 2017	105	170	232	155	662

16. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**7,800**	19,870
Work in progress	**1,627**	1,960
Finished goods	**4,669**	6,445
	14,096	28,275

The impairment loss of HK$6,127,000 for the year ended 31 December 2018 was mainly due to decrease in the estimated net realisable value of certain slow moving inventories with reference to the latest selling price or usage.

A reversal of impairment loss of HK$3,044,000 during the year ended 31 December 2017 was mainly due to utilisation of certain previously impaired raw materials for production of finished goods which were sold above their carrying amounts and an increase in the estimated net realisable value of certain inventories with reference to the latest selling price or usage.

17. TRADE AND BILLS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade and bills receivables	**8,046**	9,163
Less: impairment loss	**(972)**	(761)
	7,074	8,402

No credit term is granted to customers from the Group's retail business. Other customers are generally granted with credit terms of 30 to 90 days from the date of billing. 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:

	2018 HK$'000	2017 HK$'000
Less than 30 days	**1,052**	2,588
31 to 60 days	**4,844**	3,670
61 to 90 days	**648**	609
91 to 120 days	**101**	799
121 to 365 days	**308**	529
More than 365 days	**121**	207
	7,074	8,402

The Group recognised impairment loss based on the accounting policy stated in note 4(f)(ii).

Further details on the Group's credit policy and credit risk arising from trade and bills receivable are set out in note 30(iii).

18. TRADE PAYABLES

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

	2018 **HK$'000**	2017 HK$'000
Less than 30 days	**1,268**	2,706
31 to 60 days	**570**	499
61 to 90 days	**103**	71
91 to 120 days	**23**	49
121 to 365 days	**307**	122
More than 365 days	**372**	307
	2,643	3,754

19. AMOUNTS DUE FROM FORMER FELLOW SUBSIDIARIES AND FELLOW SUBSIDIARIES AND AMOUNTS DUE TO FORMER FELLOW SUBSIDIARIES, A FORMER INTERMEDIATE HOLDINGS COMPANY, FELLOW SUBSIDIARIES AND AN INTERMEDIATE HOLDING COMPANY

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

20. UNRECOGNISED DEFERRED TAXATION

As at 31 December 2018, the Group had other deductible temporary differences of approximately HK$4,459,000 (2017: HK$5,028,000) and unused tax losses of approximately HK$85,878,000 (2017: HK$78,153,000). The other deductible temporary differences and unused tax losses of approximately HK$4,459,000 (2017: HK$5,028,000) and HK$61,898,000 (2017: HK$63,037,000), respectively, can be carried forward indefinitely, while the remaining unused tax losses of approximately HK$23,980,000 (2017: HK$15,116,000) will expire in five years from the respective date of incurrence. Deferred tax assets have not been recognised in relation to such deductible temporary differences and unused tax losses due to unpredictability of future profit streams.

As at 31 December 2018, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$10,819,000 (31 December 2017: HK$10,967,000) 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.

The Group did not have other material unrecognised deferred tax assets and liabilities at the end of respective reporting periods.

21. SHARE CAPITAL

(a) *Authorised and issued share capital*

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2017	347,904,000	3,479
Shares issued under a subscription agreement (Note)	34,800,000	348
At 31 December 2017, 1 January 2018 and 31 December 2018	**382,704,000**	**3,827**

Note:

On 23 November 2017, 34,800,000 new ordinary shares of HK$0.01 each were issued at HK$0.705 per share pursuant to a subscription agreement dated 8 November 2017. This resulted in a net proceeds of HK$24,300,000, of which HK$348,000 and HK$23,952,000 (net of issue expenses of HK$234,000) were credited to share capital and the share premium account respectively. The shares were issued to provide additional working capital to the Group and for potential investments.

(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$28,057,000 (2017: HK$61,526,000) as shown in the consolidated statement of financial position as at 31 December 2018. 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 or other borrowings and adjust the amount of dividends paid to shareholders.

No changes were made in the objectives or policies during the year ended 31 December 2018.

22. DIVIDENDS

The directors of the Company do not recommend the payment of interim or final dividends for the years ended 31 December 2018 and 2017.

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**39,463**	52,455
Current assets			
Other receivables		**769**	391
Amounts due from former fellow subsidiaries		**8**	—
Amounts due from subsidiaries		**—**	29
Amounts due from fellow subsidiaries		**—**	8
Bank balances and cash		**3,869**	22,572
		4,646	23,000
Current liabilities			
Accrued charges and other payables		**2,201**	1,338
Amounts due to subsidiaries		**3,435**	435
Amounts due to former fellow subsidiaries		**8,171**	—
Amount due to a former intermediate holding company		**5,590**	—
Amounts due to fellow subsidiaries		**—**	7,206
Amount due to an intermediate holding company		**—**	5,590
		19,397	14,569
Net current (liabilities)/assets		**(14,751)**	8,431
Total net assets		**24,712**	60,886
Capital and reserves			
Share capital	21	**3,827**	3,827
Reserves	24	**20,885**	57,059
Total equity		**24,712**	60,886

On behalf of the Board

Wang Wei
Executive Director

Chong Man Hung Jeffrey
Independent Non-executive Director

24. RESERVES

The Company

	Share premium HK$'000 (Note (i))	Accumulated losses HK$'000 (Note (ii))	Total HK$'000
At 1 January 2017	101,979	(55,062)	46,917
Loss and total comprehensive income for the year	—	(13,810)	(13,810)
Shares issued under a subscription agreement, net of issue expenses of HK$234,000 (Note 21(a))	23,952	—	23,952
At 31 December 2017 and 1 January 2018	125,931	(68,872)	57,059
Loss and total comprehensive income for the year	—	(36,174)	(36,174)
At 31 December 2018	125,931	(105,046)	20,885

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) Accumulated losses	Cumulative net gains and losses recognised in profit or loss.
(iii) Foreign exchange reserve	Gains/losses arising on retranslating the net assets of operations outside Hong Kong into presentation currency.

25. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2018 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
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
Elite Ascent Investments Limited	The BVI	Ordinary share USD$1	100%	–	Inactive
Grandeur Smart Enterprises Limited (Note(a))	The BVI	Ordinary shares USD$1,000	100%	–	Inactive

Notes:

(a) The subsidiary was newly incorporated during the year ended 31 December 2018.

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

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

26. 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 (2017: 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 year are as follows:

	2018	2017
	HK$'000	HK$'000
Minimum lease payments	**11,165**	15,426
Contingent rents	**—**	—
	11,165	15,426

The total future minimum lease payments are due as follows:

	2018	2017
	HK$'000	HK$'000
Not later than one year	**7,133**	9,115
Later than one year and not later than five years	**3,709**	9,215
	10,842	18,330

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.

27. 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 year:

(i)

	2018 **HK$'000**	2017 HK$'000
Rental expenses paid to Mr Chan Woon Man and Ms Tsang Sau Lin for office premises	**780**	780

Mr Chan Woon Man was 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.

The above related party transaction constituted continuing connected transaction, as defined in Chapter 14A of the Listing Rules.

(ii) During the year, the Group disposed of its entire 30% equity interest in a jointly controlled entity to another shareholder of the jointly controlled entity as detailed in note 8.

(iii) Interest expenses of HK$87,000 were paid to a jointly controlled entity in relation to advance from the jointly controlled entity during the year ended 31 December 2018.

(b) Relating to discontinued operation

(i) Pursuant to the framework cooperation agreement dated 28 March 2017, as supplemented on 20 April 2017 and 19 May 2017, (the "Framework Property Management Services Agreement"), Zhonghong, the then ultimate holding company of the Company, had agreed to engage Zhongxi Property Management Company Limited ("Zhongxi"), an indirect wholly-owned subsidiary of Leisure State Limited which was disposed of by the Company on 4 September 2017 to the then fellow subsidiary of the Company as detailed in note 13, to provide property management services in relation to the properties developed by Zhonghong or its subsidiaries. The service fees receivable and terms of services were determined after arm's length negotiations and commensurate with the rate of service fee charged by Zhongxi and the relevant terms for similar services provided to independent third parties. The services fees received by Zhongxi during the period from 1 January 2017 to 4 September 2017 amounted to HK$9,879,000 (equivalent to approximately RMB8,661,000). The captioned agreement was terminated by both contracting parties on 4 September 2017.

(ii) On 4 September 2017, the Company completed the disposal of its 100% equity interest in Leisure Group to the then fellow subsidiary as detailed in note 13, which is an indirectly wholly-owned subsidiary of Zhonghong.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

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

	2018 HK$'000	2017 HK$'000
Short-term benefits	**4,535**	2,170
Post employment benefits	**40**	65
	4,575	2,235

28. 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.

29. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2018 HK$'000	2017 HK$'000
Cash available on demand	**25,729**	44,507

29. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities during the years ended 31 December 2017 and 2018:

	Amount due to a jointly controlled entity HK$'000	Amount due to a director HK$'000	Amounts due to fellow subsidiaries/ former fellow subsidiaries HK$'000	Amount due to an intermediate holding company/ a former intermediate holding company HK$'000
At 1 January 2017	–	**121**	**4,180**	**5,590**
Changes from cash flows:				
Net cash inflows/(outflows)	–	**(121)**	**7,116**	–
Non-cash transactions:				
Disposal of subsidiaries (Note 13)	–	–	**(4,353)**	–
Exchange difference	–	–	**263**	–
Total changes from financing cash flows:	–	**(121)**	**3,026**	–
At 31 December 2017 and 1 January 2018	–	–	**7,206**	**5,590**
Changes from cash flows:				
Net cash inflows/(outflows) (Note)	**(87)**	–	**965**	–
Non-cash transactions:				
Accrued interest expenses	**87**	–	–	–
At 31 December 2018	–	–	**8,171**	**5,590**

Note:

The Group had obtained interest-bearing advance from a jointly controlled entity of HK$6,500,000 and had been repaid in full during the year ended 31 December 2018. Interest expenses of HK$87,000 were paid (2017 Nil).

30. 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 entities are also denominated in USD and RMB other than their respective functional currency. As HK$ is pegged to USD, the relevant group entities do 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 relevant group entities' financial instruments denominated in RMB other than their respective functional currency at the end of respective reporting periods are insignificant.

Accordingly, the directors considered any reasonably possible appreciation or depreciation of RMB against HK$ at the end of respective reporting periods, with all other variables held constant, would have insignificant effects on the loss for the year or other components of equity of the Group.

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 the end of respective reporting periods, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have insignificant impact on the loss for the year or other components of equity of the Group at the end of respective reporting periods.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables, other receivables, deposits paid, amounts due from former subsidiaries and bank balances and cash. The Group's exposure to credit risk arising from bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies for which the Group considers to have low credit risk.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Trade debtors and bills receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. The amounts due from its three (2017: three) customers as at 31 December 2018 amounted to approximately HK$4,770,000 (2017: HK$3,376,000) which accounted for approximately 67% (2017: 40%) of the trade and bills receivables.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and bills receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Current (not past due)	1%	4,381	(43)	4,338
1–30 days past due	3%	1,514	(45)	1,469
31–60 days past due	5%	648	(32)	616
61–90 days past due	10%	102	(10)	92
91–365 days past due	15%	308	(46)	262
366–730 days past due	21%	377	(80)	297
More than 730 days past due	100%	716	(716)	–
		8,046	(972)	7,074

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (note 4(f)(ii)). At 31 December 2017, the ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 HK$'000
Balances neither past due nor impaired	2,730
Less than 30 days past due	4,019
31–60 days past due	118
61–90 days past due	796
91–120 days past due	334
121–365 days past due	359
More than 365 days	46
	5,672
	8,402

As at 31 December 2017, trade and bills receivables of HK$2,730,000 that were neither past due nor impaired related to customers for whom there was no recent history of default.

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

Movement in the loss allowance account in respect of trade debtors and bills receivable during the year is as follows:

	2018 HK$'000	2017 HK$'000
Balance at 31 December under HKAS 39	**761**	754
Impact of initial application of HKFRS 9 (note 2(a))	**—**	—
Adjusted balance at 1 January	**761**	754
Impairment losses recognised during the year	**211**	7
Balance at 31 December	**972**	761

The increase in impairment loss during the year ended 31 December 2018 is mainly due to increase in balances of trade receivables past due for no more than 60 days.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Other financial assets at amortised cost

As at 31 December 2018, in addition to the bank balances and cash which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly included rental deposits of HK$2,333,000 and other debtors of HK$423,000.

In accordance with the accounting policies on impairment loss assessment as set out in note 4(f)(ii), the Group has assessed that there was no significant increase in credit risk since the initial recognition of the other financial assets at amortised cost to 1 January 2018 and 31 December 2018 and accordingly, the measurement of the expected credit loss is based on 12 months ECLs which was considered by the directors of the Company to be insignificant. Therefore, no opening adjustment for the ECLs on the other financial assets at amortised cost has been made to the retained earnings as at 1 January 2018 and no ECLs was recognised as at 31 December 2018.

Prior to 1 January 2018, an impairment loss on other financial assets (i.e. loans and receivables) at amortised was recognised only when there was objective evidence of impairment (note 4(f)(ii)). As at 31 December 2017, the other financial assets at amortised costs were neither past due nor impaired. Management considered that no impairment allowance was necessary as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

(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. The Group's financial liabilities comprise trade payables, other payables and accrued charges (excluding contract liabilities) and amounts due to former fellow subsidiaries and a former intermediate holding company maturing in less than one year or repayable on demand and their contractual undiscounted payments approximate their carrying amounts included in the consolidated statement of financial position which amounted to HK$23,890,000 (2017: HK$25,886,000).

As mentioned in note 3(d), the Group has undertaken certain measures to increase its available working capital to enable it to continue to operate as going concern.

(v) Fair values

As at 31 December 2018 and 2017, 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 respective reporting periods.

31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2019.

FIVE YEAR 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:

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Nine month ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000	Year ended 31 March 2015 HK$'000
Results					
Loss for the year/period	**(31,466)**	(14,225)	(10,795)	(28,052)	(25,780)

	As at December			As at 31 March	
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2016 HK$'000	2015 HK$'000
Assets and liabilities					
Total assets	**52,230**	87,639	79,735	80,606	247,897
Total liabilities	**(24,173)**	(26,113)	(29,076)	(18,441)	(21,541)
Total equity	**28,057**	61,526	50,659	62,165	226,356