ASCENT INTERNATIONAL HOLDINGS LIMITED
中璽國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 264)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "Board") of directors (the "Directors") of Ascent International Holdings Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**For the year ended 31 December 2017** **HK$'000**	For the period from 1 April 2016 to 31 December 2016 *HK$'000*
Revenue	2	**78,937**	83,256
Cost of sales		**(43,958)**	(54,003)
Gross profit		**34,979**	29,253
Other income and gains		**335**	281
Selling and distribution costs		**(22,936)**	(20,954)
Administrative and other operating expenses		**(29,054)**	(19,288)

	Notes	For the year ended 31 December 2017 HK$'000	For the period from 1 April 2016 to 31 December 2016 HK$'000
Loss before income tax expense	3	**(16,676)**	(10,708)
Income tax expense	4	**–**	(87)
Loss from continuing operations		**(16,676)**	(10,795)
Profit from discontinued operation	9	**2,451**	–
Loss for the year/period attributable to owners of the Company		**(14,225)**	(10,795)
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		**639**	(711)
Other comprehensive income arising from discontinued operation	9	**153**	–
Other comprehensive income for the year/period		**792**	(711)
Total comprehensive income for the year/period attributable to owners of the Company		**(13,433)**	(11,506)
Attributable to:			
Continuing operations		**(16,037)**	(11,506)
Discontinued operation		**2,604**	–
Total comprehensive income for the year/period		**(13,433)**	(11,506)
Loss per share from continuing operations attributable to owners of the Company – Basic and diluted	5	**(HK4.74 cents)**	(HK3.10 cents)
Loss per share attributable to owners of the Company – Basic and diluted	5	**(HK4.05 cents)**	(HK3.10 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**662**	963
Deposits paid		**1,226**	3,260
		1,888	4,223
Current assets			
Inventories		**28,275**	35,512
Trade and bills receivables	*6*	**8,402**	13,131
Other receivables, deposits and prepayments		**4,275**	5,124
Amounts due from fellow subsidiaries		**8**	5
Tax recoverable		**284**	265
Bank balances and cash		**44,507**	21,475
		85,751	75,512
Current liabilities			
Trade payables	*7*	**3,754**	5,531
Other payables and accrued charges		**9,563**	13,654
Amount due to a director		**–**	121
Amounts due to fellow subsidiaries		**7,206**	4,180
Amount due to an intermediate holding company		**5,590**	5,590
		26,113	29,076
Net current assets		**59,638**	46,436
Total assets less current liabilities/net assets		**61,526**	50,659
Capital and reserves attributable to owners of the Company			
Share capital		**3,827**	3,479
Reserves		**57,699**	47,180
Total equity		**61,526**	50,659

Note:

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

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2017

During the year, the Group has adopted a number of amendments to the HKFRSs which did not have material impact on the Company's consolidated financial statements except that additional disclosure is required to be made in the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 – Statement of Cash Flows: Disclosure Initiative.

The adoption of these amendments has led to the additional disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments[2]
HKFRS 16	Leases[2]
HKFRSs (Amendments)	Annual Improvements to HKFR 2015-2017 Cycle[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continues to be permitted.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial Instruments: Recognition and Measurement. 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss 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 expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. However, the Group is not yet practicable to provide a reasonable estimate of the effect of adoption of HKFRS 9 until the Group has completed a detailed review.

HKFRS 15 – Revenue from contracts with customers

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

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

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue. The directors anticipate that the application of HKFRS 15 may result in more disclosures. However, there will be no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 16 – Leases

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 statement of comprehensive income over the period of the lease. As at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$18,330,000, 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 does not expect to adopt HKFRS 16 before its effective date of 1 January 2019.

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.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Other than the Group's assessments performed so far on HKFRS 9, HKFRS 15 and HKFRS 16 as discussed above, the Group is not yet in a position to state whether other new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

2. SEGMENT REPORTING

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

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

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

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

During the year, 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 9.

(a) Reportable segments

	Manufacturing business		**Retail business**		**Total**	
	For the year ended 31 December 2017	For the period from 1 April 2016 to 31 December 2016	**For the year ended 31 December 2017**	For the period from 1 April 2016 to 31 December 2016	**For the year ended 31 December 2017**	For the period from 1 April 2016 to 31 December 2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**51,049**	59,477	**27,888**	23,779	**78,937**	83,256
Inter-segment revenue	**6,101**	6,313	**–**	–	**6,101**	6,313
Reportable segment revenue	**57,150**	65,790	**27,888**	23,779	**85,038**	89,569
Reportable segment loss	**(2,764)**	(48)	**(3,059)**	(3,340)	**(5,823)**	(3,388)
Depreciation of property, plant and equipment	**132**	175	**40**	48	**172**	223
(Reversal of write-down)/ Write-down of inventories	**(2,027)**	517	**(1,017)**	(147)	**(3,044)**	370
Additions to property, plant and equipment	**6**	34	**4**	1	**10**	35
Reportable segment assets	**51,262**	58,177	**12,897**	14,574	**64,159**	72,751
Reportable segment liabilities	**11,067**	14,229	**912**	1,101	**11,979**	15,330

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

	For the year ended 31 December 2017 ***HK$'000***	For the period from 1 April 2016 to 31 December 2016 *HK$'000*
Revenue		
Reportable segment revenue	**85,038**	89,569
Elimination of inter-segment revenue	**(6,101)**	(6,313)
Consolidated revenue	**78,937**	83,256
Loss before income tax expense		
Reportable segment loss	**(5,823)**	(3,388)
Elimination of inter-segment gains	**(483)**	(973)
Interest income	**55**	42
Unallocated corporate expenses *(Note (i))*	**(10,425)**	(6,389)
Consolidated loss before income tax expense	**(16,676)**	(10,708)
Depreciation of property, plant and equipment		
Reportable segment depreciation	**172**	223
Depreciation of unallocated property, plant and equipment	**44**	76
Consolidated depreciation of property, plant and equipment	**216**	299
Additions to property, plant and equipment		
Reportable segment additions	**10**	35
Unallocated additions to property, plant and equipment	**–**	5
Consolidated additions to property, plant and equipment	**10**	40
Assets		
Reportable segment assets	**64,159**	72,751
Tax recoverable	**284**	265
Unallocated corporate bank balances and cash	**22,607**	3,969
Unallocated deposit paid	**–**	2,000
Other unallocated corporate assets	**589**	750
Consolidated total assets	**87,639**	79,735
Liabilities		
Reportable segment liabilities	**11,979**	15,330
Amount due to a director	**–**	121
Amounts due to fellow subsidiaries	**7,206**	4,180
Amount due to an intermediate holding company	**5,590**	5,590
Unallocated corporate liabilities *(Note (ii))*	**1,338**	3,855
Consolidated total liabilities	**26,113**	29,076

Notes:

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

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

(c) Geographical information

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

	Revenue from external customers *(Note)*		**Property, plant and equipment**	
	For the year ended 31 December 2017	For the period from 1 April 2016 to 31 December 2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**32,876**	29,296	**309**	498
Europe	**14,513**	17,855	**–**	–
The PRC	**2,864**	4,363	**353**	465
The United States of America	**15,594**	13,288	**–**	–
Other countries	**13,090**	18,454	**–**	–
Total	**46,061**	53,960	**353**	465
	78,937	83,256	**662**	963

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:

	For the year ended 31 December 2017	For the period from 1 April 2016 to 31 December 2016
	HK$'000	*HK$'000*
Customer A	**N/A***	8,858
Customer B	**8,995**	N/A*

* Revenue from Customer A during the year ended 31 December 2017 contributed less than 10% of the total revenue of the Group. Revenue from Customer B during the period ended 31 December 2016 contributed less than 10% of the total revenue of the Group.

3. LOSS BEFORE INCOME TAX EXPENSE

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

	For the year ended 31 December 2017 *HK$'000*	For the period from 1 April 2016 to 31 December 2016 *HK$'000*
Auditor's remuneration	**800**	750
Cost of inventories recognised as expenses	**43,958**	54,003
Employee costs, excluding directors' emoluments	**39,929**	31,398
Depreciation of property, plant and equipment	**216**	299
Write-off of property, plant and equipment	**–**	11
Gain on disposal of property, plant and equipment	**(38)**	–
Impairment loss/(reversal of impairment loss) on trade receivables, net	**7**	(40)
(Reversal of write-down)/write-down of inventories, net (included in cost of sales)	**(3,044)**	370
Foreign exchange (gain)/loss, net	**(951)**	52
Interest income	**(55)**	(42)

4. INCOME TAX EXPENSE

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

	For the year ended 31 December 2017 *HK$'000*	For the period from 1 April 2016 to 31 December 2016 *HK$'000*
Current tax – PRC Enterprise Income Tax		
– tax for the year/period	**–**	82
– under-provision in respect of prior years	**–**	66
	–	148
Deferred tax	**–**	(61)
Income tax expense	**–**	87

No provision for Hong Kong Profits Tax has been made as the Group has sustained estimated tax losses for the year ended 31 December 2017 and the period from 1 April 2016 to 31 December 2016.

No provision for PRC Enterprise Income Tax has been made for the year ended 31 December 2017 as the Group has sustained estimated tax loss for the year.

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

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 has 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. Since the tax audit has just commenced recently 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 facts and circumstances up to the present, 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 2017 in respect of the current and prior years. Management have sought for assistance from tax specialists in handling the tax audit.

5. LOSS PER SHARE

(a) Basic loss per share

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

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

	For the year ended 31 December 2017 *HK$'000*	For the period from 1 April 2016 to 31 December 2016 *HK$'000*
Loss from continuing operations	**(16,676)**	(10,795)
Profit from discontinued operation *(Note 9(i))*	**2,451**	–
	(14,225)	(10,795)

The weighted average number of 351,622,000 ordinary shares (Loss attributable to owners of the Company for the period from 1 April 2016 to 31 December 2016: 347,904,000 ordinary shares) in issue during the year ended 31 December 2017 is used for calculation 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 year ended 31 December 2017 and the period from 1 April 2016 to 31 December 2016, basic and diluted loss per share are equal as there are no potential dilutive ordinary shares in issue for the year/period.

6. TRADE AND BILLS RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade and bills receivables	**9,163**	13,885
Less: impairment loss	**(761)**	(754)
	8,402	13,131

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

	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**2,588**	6,291
31 to 60 days	**3,670**	5,296
61 to 90 days	**609**	685
91 to 120 days	**799**	2
121 to 365 days	**529**	854
More than 365 days	**207**	3
	8,402	13,131

As at 31 December 2017, trade and bills receivables of approximately HK$2,730,000 (2016: HK$10,899,000) are neither past due nor impaired. Trade and bills receivables that are neither past due nor impaired related to customers for whom there is no recent history of default.

7. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Less than 30 days	**2,706**	2,566
31 to 60 days	**499**	1,377
61 to 90 days	**71**	689
91 to 120 days	**49**	160
121 to 365 days	**122**	419
More than 365 days	**307**	320
	3,754	5,531

8. DIVIDENDS

The directors of the Company do not recommend the payment of interim or final dividends for the year ended 31 December 2017 and the period ended 31 December 2016.

9. DISCONTINUED OPERATION

As mentioned in note 2, 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 a 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 current 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 *(Note)*	**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 9 (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 holding company of the Company, and its subsidiaries was 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.

(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**

	2017
Earnings per share	
Basic and diluted, from discontinued operation	**0.70 cents**

The calculations of basic and diluted earnings per share from discontinued operation are based on:

	2017
	HK$'000
Profit attributable to owners of the Company from discontinued operation	**2,451**

	2017
	'000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**351,622**

(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)**

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

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

The Group has recorded a revenue of HK$78,937,000 for the year ended 31 December 2017 (the nine months ended 31 December 2016: HK$83,256,000), representing a decrease of 5.2% or approximately HK$4,319,000 as compared with the previous reporting period. Revenue contributed from manufacturing and retail business segments (excluding inter-segment revenue) was approximately HK$51,049,000 and HK$27,888,000, respectively. Gross profit was approximately HK$34,979,000. There was a significant increase of gross profit margin from approximately 35.1% to approximately 44.3%. The reasons for the increase in gross profit were mainly due to lower costs attributable to labour wages with respect to factory workers in the PRC as there was a decrease in the number of factory workers and lower factory rental costs.

Other income and gains amounted to approximately HK$335,000, up from HK$281,000 in last reporting period. The increase was primarily due to the gain on disposal of a motor vehicle.

Selling and distribution costs increased by approximately HK$1,982,000 to HK$22,936,000 for the year ended 31 December 2017 (the nine months ended 31 December 2016: HK$20,954,000). The increase was mainly attributable to the longer reporting period. Administrative and other operating expenses increased by approximately HK$9,766,000. The increase was mainly due to significant increase in staff salary expenses.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$14,225,000 for the year ended 31 December 2017 (the nine months ended 31 December 2016: HK$10,795,000). Loss per share for the year ended 31 December 2017 was HK4.05 cents (31 December 2016: HK3.10 cents).

BUSINESS REVIEW

During the year ended 31 December 2017, the manufacturing and retail business segments accounted for 64.7% (for the nine months ended 31 December 2016: 71.4%) and 35.3% (for the nine months ended 31 December 2016: 28.6%) of the Group's total revenue, respectively.

Manufacturing business

For the year ended 31 December 2017, the revenue of manufacturing business segment from external customers was approximately HK$51,049,000, in comparison with HK$59,477,000 in the last reporting period.

Geographically, sales to Europe decreased by approximately 18.7% from approximately HK$17,855,000 for the period ended 31 December 2016 to approximately HK$14,513,000 for the year ended 31 December 2017. Sales to Hong Kong reduced by approximately 9.6% from approximately HK$5,517,000 for the period ended 31 December 2016 to approximately HK$4,988,000 for the year ended 31 December 2017. Sales to the US increased by approximately 17.4% from approximately HK$13,288,000 for the last reporting period to approximately HK$15,594,000. Sales in PRC market reduced by approximately 34.4% from approximately HK$4,363,000 for the period ended 31 December 2016 to approximately HK$2,864,000 for the year ended 31 December 2017. Apart from these major markets, sales to other countries such as Japan, Australia, Canada, India etc. decreased from approximately HK$18,454,000 for the period ended 31 December 2016 to approximately HK$13,090,000 for the year ended 31 December 2017.

In respect of product category, sales of belts decreased by approximately HK$4,855,000 to approximately HK$42,396,000 (period ended 31 December 2016: approximately HK$47,251,000), representing a decrease of 10.3%. The sales of leather goods and other accessories reduced by approximately HK$3,573,000 to approximately HK$8,653,000, (period ended 31 December 2016: approximately HK$12,226,000). In the reporting year, the Group strived to economise on expenditure and reduce 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$2,716,000 from HK$48,000 for the period ended 31 December 2016 to HK$2,764,000 for the year ended 31 December 2017.

Retail Business

For retail business, due to the adverse retail environment, and keen competition from rivals and online sales, the Group recorded a revenue of HK$27,888,000 for the year ended 31 December 2017 (period ended 31 December 2016: HK$23,779,000) which represented a 17.3% rise in comparison with the previous period. Sales of the Group's in-house brand "Urban Stranger" comprised 88.5% of the period's retail sales, which was 0.9% lower than that of the previous reporting period (period ended 31 December 2016: 87.6%). Gross profit margin of this year remained high at 70.4%, similar as the previous period's margin.

The overall shop rental to revenue ratio decreased from 43.1% for the nine months ended 31 December 2016 to 40.4% for the year ended 31 December 2017. The staff cost to revenue ratio also decreased from 25.1% to 23.4%.

The retail business segment resulted in a loss of HK$3,059,000 for the year ended 31 December 2017 as compared to approximately HK$3,340,000 for the nine months ended 31 December 2016. The Group maintained eight AREA 0264 stores (31 December 2016: eight) and one Teepee Leather workshop (31 December 2016: one) in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017 the Group's cash and bank deposits were approximately HK$44,507,000 as compared to approximately HK$21,475,000 as at 31 December 2016.

The Group recorded total current assets of approximately HK$85,751,000 (31 December 2016: approximately HK$75,512,000) and total current liabilities of approximately HK$26,113,000 (31 December 2016: approximately HK$29,076,000). The increase of total current assets was mainly due to the increase in cash and bank deposits. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 3.3 times as at 31 December 2017 (31 December 2016: 2.6 times).

On 8 November 2017, the Company entered into a subscription agreement with a subscriber, pursuant to which the Company has agreed to issue new shares in the capital of the Company and the subscriber has agreed to subscribe for 34,800,000 new shares in the capital of the Company at a subscription price of HK$0.705 per share. The net proceeds from the subscription of approximately HK$24,300,000, after deduction of related expenses are intended to be use for working capital and for financing any potential investment opportunities. On 23 November 2017, the subscription was completed.

The Group recorded shareholders' funds of approximately HK$61,526,000 (31 December 2016: approximately HK$50,659,000). The increase was mainly attributable to placing of new shares on 23 November 2017.

TREASURY POLICY

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

DIVIDEND

The Board does not recommend any payment of final dividends for the year ended 31 December 2017.

CHARGES ON ASSETS

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

MATERIAL ACQUISITION AND DISPOSAL

On 4 September 2017, the Company entered into the disposal agreement with Ocean Sound Enterprises Limited (a wholly-owned company by Zhonghong Holding Co., Limited which indirectly owns 229,948,000 shares in the Company, representing approximately 60.1% of the issued share capital of the Company as at the date of this announcement), pursuant to which the Group agreed to sell the entire issued share capital of Leisure State Limited at the consideration of HK$1.00 to Ocean Sound Enterprises Limited (the "Disposal"). After the Disposal, the Group is no longer engaged in provision of property management services.

Apart from the above transaction, the Group had no material acquisition or disposal for the year ended 31 December 2017.

HUMAN RESOURCES

As at 31 December 2017, the Group had approximately 54 employees in Hong Kong and approximately 196 workers in the PRC. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company. The share option scheme had expired on 17 February 2013.

PROSPECTS

The economic activities around the world continues to pick up in 2018 with notable improvements in Asia and Europe. Looking forward to 2018, the Group expects a mild increase in its turnover. The Group will 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.

For local retail market, a mild increase is expected in 2018. However, 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 lease terms of several retail shops will end, the Group will negotiate for the most favourable terms and/or consider whether to terminate the leases.

In view of the continuous loss-making of the manufacturing and retail segments, the Group is exploring different business opportunities in Hong Kong and the PRC. On 23 January 2018, the Group has subscribed for shares in Eastation Gallery (HK) Limited, a joint venture company which specialises in consultation and trading of artworks and the operating of an art gallery in Hong Kong. The new management of the Group is making strenuous efforts towards the goal of seeking more viable and sustainable business opportunities in order to add value to the shareholders.

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 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 2017 except for the deviations from the Code Provisions A.2.1 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 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 2017, the roles of the Chairman and Chief Executive Officer had been performed by Mr. Wu David Hang from 1 January 2017 to 15 September 2017. The Board is of the view that given the small size of the existing management team, Mr. Wu David Hang has considerable experience in business development and the Board believes that the current structure will enable the Company to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group. Following Mr. Wu's resignation as Chairman and Chief Executive Officer, Ms. Li 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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2017.

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 2017.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2017

On 23 January 2018, Elite Ascent Investments Limited ("Elite Ascent"), a direct wholly-owned subsidiary of the Company, has entered into a joint venture agreement with, amongst others, Eastation Gallery (HK) Limited ("JV Company"), pursuant to which Elite Ascent has agreed to subscribe for 300 shares in the JV Company (which represents 30% of the enlarged issued share capital in the JV Company following completion of the subscriptions) at a total subscription price of HK$20 million. The principal business of the JV Company is consultation and trading of artworks and the operating of an art gallery in Hong Kong.

Apart from the aforementioned, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this announcement.

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. Yau Pak Yue (Chairman), Mr. Cheng Shing Hay, Mr. Wong Kon Man, Jason and Mr. Shen Xiao. 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 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held in Hong Kong on Friday, 8 June 2018 at 11:00 a.m. and the Notice of the Annual General Meeting will be published and issued to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4 June 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 June 2018.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

COMPETING INTERESTS

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 might compete, either directly or indirectly, with the businesses of the Group, during the year ended 31 December 2017 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained a sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules throughout the year ended 31 December 2017 and up to the date of this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.irasia.com/listco/hk/ascent/index.htm) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 December 2017 containing all the information required by the Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

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.

By order of the Board
Ascent International Holdings Limited
Li Wei
Chairlady

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises one executive Directors, namely Ms. Li Wei; and four independent non-executive Directors, namely Mr. Cheng Shing Hay, Mr. Yau Pak Yue, Mr. Wong Kon Man Jason and Mr. Shen Xiao.