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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold or transferred** all your shares in Ascent International Holdings Limited (the “Company”), you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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**TWINKLE LINK LIMITED**

**耀環有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*



**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)**

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF TWINKLE LINK LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES  
IN ASCENT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY  
TWINKLE LINK LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to the Offeror**



**Independent Financial Adviser to the Independent Board Committee**



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Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Composite Document.

A letter from First Shanghai Securities, among other things, details of the terms of the Offer is set out on pages 8 to 15 of this Composite Document.

A letter from the Board is set out on pages 16 to 20 of this Composite Document. A letter from the Independent Board Committee is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 23 to 40 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on Thursday, 19 July 2018 (or such later time and/or date as the Offeror may determine and announce in accordance with the requirements under the Takeovers Code).

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.irasia.com/listco/hk/ascent/index.htm> as long as the Offer remains open.

28 June 2018

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

<b>Event</b>	<b>Time &amp; Date</b>
	<b>2018</b>
Despatch date of this Composite Document and the Form of Acceptance ( <i>Note 1</i> ) . . . . .	Thursday, 28 June
Offer opens for acceptance ( <i>Note 1</i> ) . . . . .	Thursday, 28 June
Latest time and date for acceptance of the Offer and the Closing Date ( <i>Note 2</i> ) . . . . .	by 4:00 p.m. on Thursday, 19 July
Announcement of the results of the Offer (or its extension or revision, if any) on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . .	by 7:00 p.m. on Thursday, 19 July
Latest date for posting of remittances in respect of valid acceptances received under the Offer ( <i>Note 3</i> ) . . . . .	Monday, 30 July

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises the Offer in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed "6. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Thursday, 19 July 2018 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement in respect of the result of the Offer will be issued on the website of the Stock Exchange by 7:00 p.m. on the Closing Date. In the event that the Offeror decides to revise or extend the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.

If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date and (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will remain on the same day, i.e. 4:00 p.m. on the Closing Date.

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## EXPECTED TIMETABLE

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3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt of all relevant documents required to render such acceptance complete and valid in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders any change to the expected timetable as soon as practicable by way of announcement(s).

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## IMPORTANT NOTICES

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### NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert with it, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Shareholders” in the “Letter from First Shanghai Securities”.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Thursday, 19 July 2018, being the closing date of the Offer which is 21 days following the date on which this Composite Document is posted (or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company in accordance with the Takeovers Code)
“Company”	Ascent International Holdings Limited (stock code: 264), an exempted company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on Stock Exchange
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code to the Shareholders in respect of the Offer
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	a loan facility granted by Mason Securities as lender to the Offeror as borrower in accordance with the terms of the Facility Agreement for financing part of the consideration for the Sale Shares and the Offer
“Facility Agreement”	the loan facility agreement entered into between Mason Securities as lender and the Offeror as borrower dated 10 May 2018 in relation to the Facility
“Finance Documents”	the Loan Agreement, the Supplemental Deed and the Security Charge
“First Shanghai Capital”	First Shanghai Capital Limited, a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong), being the financial adviser to the Offeror in respect of the Offer
“First Shanghai Securities”	First Shanghai Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong), being the agent making the Offer on behalf of the Offeror
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “Grand Moore”	Grand Moore Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the fairness and reasonableness of Offer and as to acceptance of the Offer
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it (including the Mason Group)
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 18 May 2018 in relation to, among other things, the Offer pursuant to Rule 3.5 of the Takeovers Code
“Last Trading Day”	10 May 2018, being the last trading day of the Shares on the Stock Exchange prior to the halt of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	25 June 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Letter”	a letter dated 10 May 2018 issued by Mason Resources Finance and acknowledged by the Offeror on 10 May 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a term loan in the principal amount of HK\$350,000,000 granted by Mason Resources Finance to Zhurong Global under the Loan Agreement
“Loan Agreement”	a loan agreement dated 27 October 2016 entered into between Zhurong Global as borrower and Mason Resources Finance as lender for granting the Loan
“Mason Group”	Mason Holdings and its subsidiaries
“Mason Holdings”	Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 273)



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## DEFINITIONS

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“Mason Resources Finance”	Mason Resources Finance Limited, a company incorporated in Hong Kong with limited liabilities, which is an indirect wholly-owned subsidiary of Mason Holdings
“Mason Securities”	Mason Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which is an indirect wholly-owned subsidiary of Mason Holdings
“Offer”	the mandatory unconditional cash offer being made by First Shanghai Securities on behalf of the Offeror to acquire all the issued Shares (other than those already owned by or to be acquired by the Offeror and parties acting in concert with it)
“Offer Period”	has the meaning ascribed thereto under the Takeovers Code, which commenced on 18 May 2018, being the date of the Joint Announcement and ending on the Closing Date
“Offer Price”	HK\$1.4824 per Offer Share
“Offer Share(s)”	all the issued Shares (other than those already beneficially owned or to be acquired by the Offeror and parties acting in concert with it)
“Offeror”	Twinkle Link Limited, a company incorporated in the British Virgin Islands with limited liabilities which is ultimately wholly and beneficially owned by Mr. Xu Hongwei
“Overseas Shareholders”	Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong
“PRC”	the People’s Republic of China, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

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## DEFINITIONS

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“Relevant Period”	the period from 18 November 2017, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Share(s)”	the 229,948,000 Shares transferred to the Offeror from Zhurong Global under the Transfer
“Security Charge”	a charge over securities account dated 27 October 2016 executed by Zhurong Global in favour of Mason Resources Finance in respect of the Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge”	the share charge entered into between Mason Securities as chargee and the Offeror as chargor dated 10 May 2018 whereby the Offer shall charge to Mason Securities as security for the Facility (i) all of the Sale Shares acquired by the Offeror upon the completion of the Transfer; (ii) the Shares to be acquired by the Offeror under the Offer; and (iii) the securities account in the name of the Offeror held with Mason Securities, in which the Offeror shall deposit the aforesaid Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Deed”	a supplemental deed to the Loan Agreement dated 27 October 2017 entered into between Zhurong Global and Mason Resources Finance
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfer”	the transfer of the Sale Shares which took place on 11 May 2018

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## DEFINITIONS

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“Zhurong Global”	Zhurong Global Limited, a company incorporated in the British Virgin Islands which was interested in approximately 60.09% of the issued share capital of the Company immediately before the Transfer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



28 June 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF  
TWINKLE LINK LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
ASCENT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
TO BE ACQUIRED BY  
TWINKLE LINK LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**1. INTRODUCTION**

Reference is made to the Joint Announcement. The Company was informed by Zhurong Global that on 10 May 2018 (after trading hours of the Stock Exchange), Mason Resources Finance exercised its rights under the Finance Documents to enforce the Security Charge and agreed to effect the Transfer of 229,948,000 Shares (representing approximately 60.09% of the entire issued share capital of the Company as at the date of the Joint Announcement), which were charged by Zhurong Global under the Security Charge in favor of Mason Resources Finance, from Zhurong Global to the Offeror at the total consideration of HK\$340,874,915 (equivalent to approximately HK\$1.4824 per Sale Share) subject to and, upon payment of the total consideration for the Sale Shares by the Offeror. The total consideration for the Sale Shares was settled by the Offeror on 11 May 2018 and the Transfer was completed on 11 May 2018. HK\$175,534,040 of the total consideration for the Sale Shares was financed by Mason Securities and the remaining was settled by internal resources of the Offeror. Although the Sale Shares are subject to the Share Charge granted by the Offeror in favour of Mason Securities, the voting rights of the Sale Shares remain vested in the Offeror.

On 27 October 2016, Zhurong Global as borrower and Mason Resources Finance as lender entered into the Loan Agreement to grant Zhurong Global the Loan for one year. To secure the payment obligations of Zhurong Global, Zhurong Global agreed to charge the Sale Shares and executed the Security Charge in favour of Mason Resources Finance pursuant to the Loan Agreement. On 27 October 2017, Zhurong Global and Mason Resources Finance entered into the Supplemental Deed to extend the maturity date under the Loan Agreement to 28 October 2018.

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## LETTER FROM FIRST SHANGHAI SECURITIES

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Since an event of default under the Loan Agreement occurred on the part of Zhurong Global, Mason Resources Finance decided to exercise its rights under the Finance Documents to enforce the Security Charge and effect the Transfer. On 10 May 2018, Mason Resources Finance issued the Letter to the Offeror, pursuant to which the Offeror acknowledged that the Transfer would be effected by Mason Resources Finance exercising its rights under the Finance Documents, and subject to and, upon payment of the total consideration for the Sale Shares by the Offeror, Mason Resources Finance shall effect the Transfer as soon as practicable by way of electronic book entry transfer of beneficial ownership in the Sale Shares. As advised by Mason Resources Finance, the total amount owed by Zhurong Global to Mason Resources Finance under the Loan Agreement immediately prior to the completion of the Transfer was HK\$337,224,657.53.

Immediately prior to the completion of the Transfer, save for the rights of Mason Resources Finance under the Finance Documents, the Offeror and the parties acting in concert with it did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately upon the completion of the Transfer and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in 229,948,000 Shares, representing approximately 60.09% of the total issued share capital of the Company as at the date of the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror and the parties acting in concert with it).

### **PRINCIPAL TERMS OF THE OFFER**

First Shanghai Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the terms set out on the following basis:

#### **The Offer**

For each Offer Share . . . . . HK\$1.4824 in cash

As at the Latest Practicable Date, the Company has 382,704,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares.

The Offer Price of HK\$1.4824 per Offer Share is determined at a price of approximately equal to but not lower than the price per Sale Share paid by the Offeror, which is determined after arm's length negotiations between the Offeror and Mason Resources Finance as the chargee of the Sale Shares with reference to the market price of the Shares.

The Offer is unconditional in all aspects when it is made and is not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

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## LETTER FROM FIRST SHANGHAI SECURITIES

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### Comparison of value

The Offer Price of HK\$1.4824 per Offer Share represents:

- (i) a premium of approximately 0.16% over the closing price of HK\$1.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.2% over the closing price of HK\$1.370 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 16.9% over the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$1.268 per Share;
- (iv) a premium of approximately 35.4% over the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.095 per Share;
- (v) a premium of approximately 56.5% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.947 per Share; and
- (vi) a premium of approximately 820.7% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.161 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2017, being the date to which the latest published audited financial results of the Group were made up.

### Highest and lowest closing prices of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.49 per Share (on 21 May 2018, 23 May 2018, 24 May 2018, 25 May 2018 and 28 May 2018) and HK\$0.74 per Share (on both 9 February 2018 and 12 February 2018), respectively.

### Total consideration of the Offer

Based on the Offer Price of HK\$1.4824 per Offer Share and the 382,704,000 Shares in issue as at the Latest Practicable Date, of which 229,948,000 Shares are already owned by the Offeror and parties acting in concert with it as at the Latest Practicable Date, 152,756,000 Shares will be subject to the Offer (assuming there is no change to the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer), and based on the Offer Price per Offer Share and on the basis of full acceptance of the Offer, the cash consideration payable by the Offeror under the Offer will amount to HK\$226,445,494.4.

### Confirmation of financial resources available for the Offer

The Offeror intends to finance the entire consideration payable under the Offer through the Facility provided by Mason Securities. The Offeror does not intend that the payment of interest on,

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## LETTER FROM FIRST SHANGHAI SECURITIES

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repayment of or security for any liability (contingent or otherwise) of the aforesaid Facility will depend on the business of the Company.

First Shanghai Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration payable by the Offeror upon full acceptances of the Offer.

On 10 May 2018, the Offeror entered into the Facility Agreement in connection with the Facility, and executed the Share Charge in favour of Mason Securities.

### **Effect of accepting the Offer**

The Offer is unconditional in all respects. By validly accepting the Offer, the relevant Shareholders will sell their respective Shares to the Offeror at the Offer Price free from all Encumbrances and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the posting of this Composite Document (i.e. the date on which the Offer is made).

Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) under the paragraph headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

### **Hong Kong stamp duty**

The seller’s Hong Kong ad valorem stamp duty payable by the Independent Shareholders who accept the Offer, calculated at a rate of 0.1% of the higher of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer.

The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Settlement**

Settlement of the considerations for the Offer Shares will be made in cash as soon as possible but in any event within seven (7) Business Days after the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent acting on behalf of it) to render each such acceptance complete and valid pursuant to the Takeovers Code.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

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## LETTER FROM FIRST SHANGHAI SECURITIES

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### **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, First Shanghai Securities, First Shanghai Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Overseas Shareholders**

The availability of the Offer to persons who are not residents in Hong Kong or who have registered addresses outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they reside. Overseas Shareholders and Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should fully observe all applicable legal or regulatory requirements and, where necessary, seek their own legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer of other taxes due by such accepting Overseas Shareholders in respect of such jurisdiction).

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers in case of any doubt.

### **INFORMATION ON THE OFFEROR**

The Offeror is incorporated in the British Virgin Islands with limited liabilities, and is an investment holding company ultimately wholly and beneficially owned by Mr. Xu Hongwei, who is also the sole director of the Offeror as at the Latest Practicable Date. Mr. Xu is currently the founder and chairman of a private group of companies in the PRC to promote the internet technology industry in the PRC and provide various services to the industry participants. He also invests in the PRC private companies principally engaged in asset management which provide consultancy services in the PRC. Mr. Xu keeps looking for investment opportunities in different industries of potential growth. Despite not having relevant experience in the business of the Group, Mr. Xu considers that investing in the Company could diversify and widen his investment portfolio. For further biographical details of Mr. Xu Hongwei, please refer to the paragraph headed “Proposed change of the Board composition” in this letter below.



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## LETTER FROM FIRST SHANGHAI SECURITIES

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### INFORMATION ON THE GROUP

Details of the information on the Group are set out in the paragraph headed “INFORMATION OF THE GROUP” in the “Letter from the Board” in this Composite Document.

### INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The Group is principally engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

Upon completion of the Offer, the Offeror will assist the Group in reviewing its business, operations, capital structure and working capital requirement. Subject to the results of the review, the Offeror may consider to diversify or divest the business of the Group, assess the necessity for the Group to acquire or dispose assets and examine any need for the Group to conduct debt or equity fund raising to strengthen capital base for the enhancement of the long term business development of the Group. Should such corporate actions materialise, further announcement(s) will be made by the Company in accordance with the Listing Rules. Subject to the aforesaid review, as at the Latest Practicable Date, the Offeror has no plan to downsize or to cease any existing business of the Group or to dispose any material assets of the Group.

Save for the changes to the members of the Board as described in the paragraph headed “Proposed change of the Board composition” below, the Offeror has no intention to make material changes to the employment of the employees of the Group.

In sum, the Offeror intends to maintain continuity of normal business considerations but will retain the flexibility at any time to consider any options of opportunities which may present themselves and which it regards to be in the interests of the Group and its Shareholders.

### Proposed change of the Board composition

The Board currently consists of Ms. Li Wei, Mr. Cheng Shing Hay, Mr. Shen Xiao, Mr. Wong Kon Man, Jason and Mr. Yau Pak Yue. It is currently expected that the Offeror will not require any Directors to resign from the Board.

The Offeror intends to nominate two new Directors into the Board, namely Mr. Xu Hongwei and Mr. Huang Shiqiao as new executive Directors (together, the “**New Directors**”). The proposed appointment will take effect from a date which is no earlier than the date of this Composite Document in accordance with Rule 26.4 of the Takeovers Code.

The biographical details of the New Directors are set out below:

Mr. Xu Hongwei, aged 34, is currently the founder and chairman of a private group of companies in the PRC to promote the internet technology industry in the PRC and provide various services to the industry participants. He is also an independent non-executive director of Guangdong Hongteo Accurate Technology Company Limited (whose shares are listed on the Shenzhen Stock Exchange, stock code: 300176). Mr. Xu also invests in the PRC private companies principally engaged in asset management which provide consultancy services in the PRC.

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## LETTER FROM FIRST SHANGHAI SECURITIES

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Mr. Huang Shiqiao, aged 35, is currently the founder and chief executive officer of a private company in the PRC, the principal business of which is the provision of internet information services. Prior to that, he also worked in Ping An Insurance (Group) Company of China, Ltd., the shares of which are listed on the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318).

Save as disclosed above, each of the New Directors has not held any other directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As at the Latest Practicable Date, the Offeror is wholly owned by Mr. Xu Hongwei. Save as disclosed above, as at the Latest Practicable Date, each of the New Directors did not have any interest in the Shares (within the meaning of Part XV of the SFO).

Any appointment as disclosed above will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any appointment of the Directors becomes effective.

### **Maintaining the listing status of the Company**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the issued Shares to remain listed on Stock Exchange upon the close of the Offer. The sole director of the Offeror and New Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists in the Shares after the close of the Offer.

In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

### **Compulsory acquisition**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

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## LETTER FROM FIRST SHANGHAI SECURITIES

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### GENERAL

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominee of their intentions with regard to the Offer.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Company, the Offeror and parties acting in concert with it, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### Additional information

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**First Shanghai Securities Limited**  
**Robert Ching**  
*Managing Director*

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LETTER FROM THE BOARD

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**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)**

*Executive Director:*

Li Wei (*Chairlady*)

*Independent Non-executive Directors:*

Cheng Shing Hay

Shen Xiao

Wong Kon Man, Jason

Yau Pak Yue

*Registered Office:*

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Suite 510

Chater House

8 Connaught Road Central

Hong Kong

28 June 2018

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF TWINKLE LINK LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
ASCENT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY  
TWINKLE LINK LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement jointly issued by the Offeror and the Company on 18 May 2018 in relation to, among other matters, the completion of the transfer of the Sale Shares in the Company. Terms used in this letter have the same meanings as defined in this Composite Document unless the context otherwise requires.

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## LETTER FROM THE BOARD

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As mentioned in the Joint Announcement, the Company was informed by Zhurong Global that on 10 May 2018 (after trading hours of the Stock Exchange), Mason Resources Finance exercised its rights under the Finance Documents to enforce the Security Charge and agreed to effect the Transfer of 229,948,000 Shares (representing approximately 60.09% of the total issued share capital of the Company as at the Latest Practicable Date), which were charged by Zhurong Global under the Security Charge in favor of Mason Resources Finance, from Zhurong Global to the Offeror at the total consideration of HK\$340,874,915 (equivalent to approximately HK\$1.4824 per Sale Share) subject to and, upon payment of the total consideration for the Sale Shares by the Offeror. The total consideration for the Sale Shares was settled by the Offeror on 11 May 2018 and the Transfer was completed on 11 May 2018.

Immediately upon completion of the Transfer and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in 229,948,000 Shares, representing approximately 60.09% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror and the parties acting in concert with it). First Shanghai Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the terms set out in this Composite Document.

Details of the Offer are set out in the “Letter from First Shanghai Securities”, Appendix I to this Composite Document and the Form of Acceptance.

This letter forms part of this Composite Document, together with the Form of Acceptance, which, among other matters, provides you with information relating to the Group and the Offeror, the Offer (including the expected timetable and terms of the Offer), the letter from the Board, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheng Shing Hay, Mr. Shen Xiao, Mr. Wong Kon Man, Jason and Mr. Yau Pak Yue, has been established by the Board to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

In accordance with Rule 2.1 of the Takeovers Code, as disclosed in the announcement of the Company dated 31 May 2018, Grand Moore has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Offer and, in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Such appointment has been approved by the Independent Board Committee. The letter from Independent Financial Adviser addressed to the Independent Board Committee is set out on pages 23 to 40 of this Composite Document.

You are advised to read the “Letter from the Independent Board Committee” addressed to the Independent Shareholders and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

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## LETTER FROM THE BOARD

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### THE OFFER

As disclosed in the “Letter from First Shanghai Securities”, First Shanghai Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the following terms:

For each Offer Share . . . . . HK\$1.4824 in cash

As at the Latest Practicable Date, the Company has 382,704,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares.

The Offer Price of HK\$1.4824 per Offer Share is determined at a price of approximately equal to but not lower than the price per Sale Share paid by the Offeror, which is determined after arm’s length negotiations between the Offeror and Mason Resources Finance as the chargee of the Sale Shares with reference to the market price of the Shares.

The Offer is unconditional in all aspects and is not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights now and thereafter attached thereto, including all rights any dividend or other distribution paid, made or declared on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

### Further details of the Offer

Further details of the Offer including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from First Shanghai Securities”, Appendix I to this Composite Document and the Form of Acceptance.

### INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the Stock Exchange (stock code: 264). The Group is principally engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial information and general information of the Group.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) immediately before the Transfer; and (ii) immediately after the Transfer and as at the Latest Practicable Date:

	<b>Immediately before the Transfer</b>		<b>Immediately after the Transfer and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
The Offeror and parties acting in concert with it	–	–	229,948,000	60.09
Zhurong Global Limited	<u>229,948,000</u>	<u>60.09</u>	<u>–</u>	<u>–</u>
<b>Public Shareholders</b>				
Other public Shareholders	<u>152,756,000</u>	<u>39.91</u>	<u>152,756,000</u>	<u>39.91</u>
Total	<u><u>382,704,000</u></u>	<u><u>100.00</u></u>	<u><u>382,704,000</u></u>	<u><u>100.00</u></u>

### INFORMATION ON THE OFFEROR

Please refer to the section headed “Information on the Offeror” in the “Letter from First Shanghai Securities” for information on the Offeror.

### INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP AND THE PROPOSED CHANGE OF COMPOSITION OF THE BOARD

Please refer to the section headed “Intentions of the Offeror in relation to the Group” and “Proposed change of the Board composition” in the “Letter from First Shanghai Securities” for detailed information on the Offeror’s intention on the business and management of the Group, including but not limited to the proposed change of the composition of the Board. The Board is aware of the intention of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

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## LETTER FROM THE BOARD

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The Board noted from the “Letter from First Shanghai Securities” that the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Board noted that the sole director of the Offeror and the New Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists in the Shares after the close of the Offer.

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 21 to 22 of this Composite Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 23 to 40 of this Composite Document, which sets out its advice to the Independent Board Committee in respect of the Offer and, in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

### ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
By order of the Board  
**Ascent International Holdings Limited**  
**Li Wei**  
*Executive Director*





**ASCENT INTERNATIONAL HOLDINGS LIMITED**

**中壘國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 264)**

28 June 2018

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF TWINKLE LINK LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
ASCENT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY  
TWINKLE LINK LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 28 June 2018 issued jointly by the Offeror and the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer.

Grand Moore has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice and recommendations are set out in the “Letter from the Independent Financial Adviser” on pages 23 to 40 of the Composite Document.

We also wish to draw your attention to the “Letter from First Shanghai Securities”, the “Letter from the Board” and the additional information set out in the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, as disclosed in Appendix IV to the Composite Document, we are independent and do not have any conflict of interest in respect of the Offer or any direct or indirect interest in the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATIONS

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice from Grand Moore, in particular the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser”, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Shareholders to accept the Offer.

Independent Shareholders are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,

For and on behalf of

**Independent Board Committee of  
Ascent International Holdings Limited**

**Mr. Cheng Shing Hay**

*Independent non-executive Director*

**Mr. Shen Xiao**

*Independent non-executive Director*

**Mr. Wong Kon Man, Jason**

*Independent non-executive Director*

**Mr. Yau Pak Yue**

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Grand Moore, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.*



中毅資本有限公司  
Grand Moore Capital Limited

Unit 1607, 16/F, Silvercord Tower 1, 30 Canton Road  
Tsim Sha Tsui, Kowloon, Hong Kong

28 June 2018

*To: The Independent Board Committee of  
Ascent International Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF  
TWINKLE LINK LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
ASCENT INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
TO BE ACQUIRED BY TWINKLE LINK LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the composite document (the “**Composite Document**”) dated 28 June 2018 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

As mentioned in the Joint Announcement, the Company was informed by Zhurong Global that on 10 May 2018 (after trading hours of the Stock Exchange), Mason Resources Finance exercised its rights under the Finance Documents to enforce the Security Charge and agreed to effect the Transfer of 229,948,000 Shares (representing approximately 60.09% of the entire issued share capital of the Company as at the Latest Practicable Date), which were charged by Zhurong Global under the Security Charge in favor of Mason Resources Finance, from Zhurong Global to the Offeror at the total consideration of HK\$340,874,915 (equivalent to approximately HK\$1.4824 per Sale Share) subject to and upon payment of the total consideration for the Sale Shares by the Offeror. The total consideration for the Sale Shares was settled by the Offeror on 11 May 2018 and the Transfer was completed on 11 May 2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Immediately upon the completion of the Transfer and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in 229,948,000 Shares, representing approximately 60.09% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it). First Shanghai Securities is, on behalf of the Offeror, making the Offer on terms set out in the Composite Document.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheng Shing Hay, Mr. Shen Xiao, Mr. Wong Kon Man, Jason and Mr. Yau Pak Yue, has been established by the Board to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. We, have been appointed as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer. In the last two years, we have not acted as any financial adviser role to the Company, but we have been engaged as the independent financial adviser to the Company in respect of certain continuing connected transactions, the details of which are set out in the Company's announcements dated 28 March 2017, 20 April 2017 and 19 May 2017, which had subsequently been terminated as per the Company's announcement dated 4 September 2017 before our independent financial advice has been given. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Offeror, their respective controlling shareholders or any other party acting or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors, the management of the Company and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors, the management of the Company and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the sole director of the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the management of the Company and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The information contained in the Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group, Zhurong Global and parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The Independent Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

**(1) Financial and other information on the Group**

The Group is principally engaged in the manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

Set out below is a summary of audited consolidated financial information of the Group for each of (i) the year ended 31 December 2017 (“**FY2017**”) as extracted from the annual report of the Company (the “**2017 Annual Report**”); (ii) the nine months ended 31 December 2016 (“**PE2016**”) as extracted from the annual report of the Company (the “**2016 Annual Report**”); and (iii) for the year ended 31 March 2016 (“**FY2016**”):

The financial year end date of the Company has been changed from 31 March to 31 December starting from PE2016 in order to align the Company’s financial year end date with its principal operating subsidiaries in the PRC thereby streamlining the preparation of the Company’s financial reporting process. Therefore, PE2016 covers a period of nine months from 1 April 2016 to 31 December 2016 which may not be entirely comparable with annual results which cover a period of twelve months.

	<b>For the year ended 31 December 2017 HK\$'000 (Audited)</b>	<b>For the nine-month period from 1 April to 31 December 2016 HK\$'000 (Audited)</b>	<b>For the year ended 31 March 2016 HK\$'000 (Audited)</b>
Revenue	78,937	83,256	128,259
Manufacturing	51,049	59,477	96,877
Retail	27,888	23,779	31,382
Gross profit	34,979	29,253	31,669
<i>Gross profit margin (approximately)</i>	44.3%	35.1%	24.7%
(Loss) for the year/period	(14,225)	(10,795)	(28,052)
<i>Net (loss) margin (approximately)</i>	(18.0)%	(13.0)%	(21.9)%
	<b>As at 31 December 2017 HK\$'000 (Audited)</b>	<b>As at 31 December 2016 HK\$'000 (Audited)</b>	<b>As at 31 March 2016 HK\$'000 (Audited)</b>
Net assets	61,526	50,659	62,165

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial performance for FY2017 as compared to PE2016*

As extracted from the 2017 Annual Report, the Group has recorded a revenue of approximately HK\$78.9 million for FY2017 (PE2016: approximately HK\$83.3 million), representing a decrease of approximately 5.2% or HK\$4.3 million as compared with PE2016. Revenue contributed from manufacturing and retail business segments was approximately HK\$51.0 million and HK\$27.9 million for FY2017, respectively, as compared to approximately HK\$59.5 million and HK\$23.8 million for PE2016, respectively. Gross profit increased by approximately HK\$5.7 million for FY2017 over the gross profit of approximately HK\$29.3 million for PE2016. There was a significant increase of gross profit margin from approximately 35.1% for PE2016 to approximately 44.3% for FY2017 which was mainly due to lower costs attributable to labor 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.

With reference to the 2017 Annual Report, the decrease in revenue for FY2017 as compared to PE2016 was mainly due to (1) the decline in sales of the manufacturing business segment, comprising: (i) the decline in revenue from external customers; (ii) the drop in export sales to Europe, Hong Kong, the PRC and to other non-United States countries which was marginally offset by the increase in sales to the United States; and (iii) the decline in sales of all product categories (belt, leather goods and other accessories); which was coupled by (2) the increase in sales of the retail business despite the adverse retail environment and keen competition from rivals and online sales, comprising: (i) the increase in revenue from customers; and (ii) the slight increase in sales of the Group's in-house brand "Urban Stranger" amongst the period's retail sales.

The Group's loss for FY2017 increased by approximately 31.8% as compared to PE2016. The net assets of the Group as at 31 December 2017 increased by approximately 21.5% as compared to that as at 31 December 2016 which was mainly due to the placing of new Shares completed on 23 November 2017 raising net proceeds of approximately HK\$24.4 million.

### *Financial performance for PE2016 as compared to FY2016*

As extracted from the 2016 Annual Report, the Group has recorded a revenue of approximately HK\$83.3 million for PE2016 (FY2016: approximately HK\$128.3 million), representing a decrease of approximately 35.1% or approximately HK\$45.0 million as compared with FY2016. Revenue contributed from manufacturing and retail business segments was approximately HK\$59.5 million and HK\$23.8 million for PE2016, respectively, as compared to approximately HK\$96.9 million and HK\$31.4 million for FY2016, respectively. Gross profit decreased by approximately HK\$2.4 million for PE2016 over FY2016. There was a significant increase of gross profit margin from approximately 24.7% for FY2016 to approximately 35.1% for PE2016 which was mainly due to lower costs attributable to labor 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 as the Group ceased renting an underused factory area.

With reference to the 2016 Annual Report, the decrease in revenue for PE2016 as compared to FY2016 was mainly due to (1) the significant decline in sales of the manufacturing business segment, comprising: (i) the decline in revenue from external customers; (ii) the drop in export sales to all overseas market; and (iii) the decline in sales of all product categories (belt, leather goods and other accessories); which was coupled by (2) the decline in sales of the retail business

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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due to the adverse retail environment and keen competition from rivals and online sales, comprising: (i) the decline in revenue from customers; and (ii) the drop in sales of the Group's in-house brand "Urban Stranger" amongst the period's retail sales.

The Group's loss for PE2016 decreased by approximately 61.5% as compared to FY2016. The net assets of the Group as at 31 December 2016 decreased by approximately 18.5% as compared to that as at 31 March 2016 which was due mainly to loss for PE2016.

### *Future Plan and Prospects*

It is stated in the 2017 Annual Report that on 4 September 2017, the Company entered into the disposal agreement with Ocean Sound Enterprises Limited (a wholly-owned company of Zhonghong Holding Co., Limited which had indirectly owned 229,948,000 shares in the Company, representing approximately 60.1% of the then issued share capital of the Company), pursuant to which the Company 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 Company is no longer engaged in provision of property management services. As at the Latest Practicable Date, the Group remains committed to the development of its manufacture and sales of leather goods business.

With reference to the 2017 Annual Report, the economic activities around the world continue 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 on the basis of the overall outlook of the retail industry, in particular, the clothing industry (Source: Report on Monthly Survey of Retail Sales issued by Census and Statistics Department Hong Kong dated April 2018/ <https://www.statistics.gov.hk/pub/B10800032018MM04B0100.pdf>). 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.

Furthermore, 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 30% shareholding in Eastation Gallery (HK) Limited for HK\$20 million, a joint venture company which specialises in consultation and trading of artworks and the operating of an art gallery in Hong Kong, on an enlarged capital basis. However, this new joint venture has been accounted for as an associated company which is not sizeable and appears to have limited financial impact on the Group as at the Latest Practicable Date.



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With reference to the 2017 and 2016 Annual Reports, around 60-70% of the total revenue of the Company for FY2017, PE2016 and FY2016 are related to export sales to Europe, the United States, the PRC and other countries.

### Total exports of leather consumer goods



Source: Hong Kong Trade and Development Council

According to the publication by Hong Kong Trade and Development Council, “Leather Consumer Goods Industry in Hong Kong” dated 14 August 2017 (<http://hong-kong-economy-research.hktdc.com/business-news/article/Hong-Kong-Industry-Profiles/Leather-Consumer-Goods-Industry-in-Hong-Kong/hkip/en/1/1X000000/1X00406U.htm>), we noted from the chart above that from 2015 to the five months ended 31 May 2017 (the “Trend Period”), the total export sales of leather consumer goods from Hong Kong declined by approximately 37.1% over the Trend Period (on an annualised basis of HK\$27.019 billion for 2017). Therefore, we are of the view that the outlook of the leather goods industry with respect to export sales from Hong Kong has been on a declining trend for the Trend Period and may continue to be declining or stagnant in the foreseeable future.

Nevertheless, in view of the deterioration in revenue of the Group during FY2017 and the consistent loss-making record since the year ended 31 March 2013 as per the “Five years financial summary” set out in the 2017 and 2016 Annual Reports, we are not aware of any indication as to whether the Group can make a turnaround to its unsatisfactory financial performance for the foreseeable future. Having also considered the competitive market condition and the unfavourable market statistics as mentioned above, the Group’s future prospect is considered highly uncertain.

## (2) Information on the Offeror

To provide the Independent Shareholders with basic information on the background of the Offeror, set out below is the key information on the Offeror as extracted from the “Letter from First Shanghai Securities” (the “**First Shanghai Letter**”):

The Offeror is incorporated in the British Virgin Islands with limited liabilities, and is an investment holding company ultimately wholly and beneficially owned by Mr. Xu Hongwei, who is also the sole director of the Offeror as at the Latest Practicable Date. Mr. Xu is currently the founder and chairman of a private group of companies in the PRC to promote the internet technology industry in the PRC and provide various services to the industry participants. He also

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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invests in the PRC private companies principally engaged in asset management which provide consultancy services in the PRC. Mr. Xu keeps looking for investment opportunities in different industries of potential growth. Despite not having relevant experience in the business of the Group, Mr. Xu considers that investing in the Company could diversify and widen his investment portfolio.

### **(3) Intentions of the Offeror in relation to the Group**

Upon completion of the Offer, the Offeror will assist the Group in reviewing its business and operations, capital structure and working capital requirement. Subject to the results of the review, the Offeror may consider to diversify or divest the business of the Group, assess the necessity for the Group to acquire or dispose assets and examine any need for the Group to conduct debt or equity fund raising to strengthen capital base for the enhancement of the long term business development of the Group. Should such corporate actions materialise, further announcement(s) will be made by the Company in accordance with the Listing Rules. Subject to the aforesaid review, as at the Latest Practicable Date, the Offeror has no plan to cease any existing business of the Group or to dispose any material assets of the Group.

Save for the changes to the members of the Board as described in the paragraph headed “Proposed change of the Board composition” in the First Shanghai Letter, the Offeror has no intention to make material changes to the employment of the employees of the Group.

In sum, the Offeror intends to maintain continuity of normal business considerations but will retain the flexibility at any time to consider any options of opportunities which may present themselves and which it regards to be in the interests of the Group and its Shareholders.

### **Proposed change of the Board composition**

The Board currently consists of Ms. Li Wei, Mr. Cheng Shing Hay, Mr. Shen Xiao, Mr. Wong Kon Man, Jason and Mr. Yau Pak Yue. It is currently expected that the Offeror will not require any Directors to resign from the Board.

The Offeror intends to nominate two new Directors into the Board, namely Mr. Xu Hongwei and Mr. Huang Shiqiao as new executive Directors. The proposed appointment will take effect from a date which is no earlier than the date of this Composite Document in accordance with Rule 26.4 of the Takeovers Code.

Please refer to the paragraph headed “Proposed change of the Board composition” in the First Shanghai Letter for further biographical details of the New Directors.

As at the Latest Practicable Date, the Offeror is wholly owned by Mr. Xu Hongwei. Save as disclosed above, as at the Latest Practicable Date, each of the New Directors did not have any interest in the Shares (within the meaning of Part XV of the SFO).

Any appointment as disclosed above will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any appointment of the Directors becomes effective.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Maintaining the listing status of the Company**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the issued Shares to remain listed on Stock Exchange upon the close of the Offer. The director of the Offeror and New Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists in the Shares after the close of the Offer.

In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

### **Compulsory acquisition**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

### **(4) Principal terms of the Offer**

With reference to the letter from the First Shanghai Letter as contained in the Composite Document, immediately upon the completion of the Transfer and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in a total of 229,948,000 Shares, representing approximately 60.09% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

First Shanghai Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the terms set out on the following basis:

### **The Offer**

For each Offer Share . . . . . HK\$1.4824 in cash

As at the Latest Practicable Date, the Company has 382,704,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares.

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Excluding the Sale Shares, being 229,948,000 Shares transferred to the Offeror pursuant to the Transfer, 152,756,000 Shares will be subject to the Offer (assuming there is no change to the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer) and the Offer is therefore valued at HK\$226,445,494.4 based on the Offer Price.

### (5) The Offer Price

#### *Offer Price comparison*

The Offer Price of HK\$1.4824 per Offer Share represents:

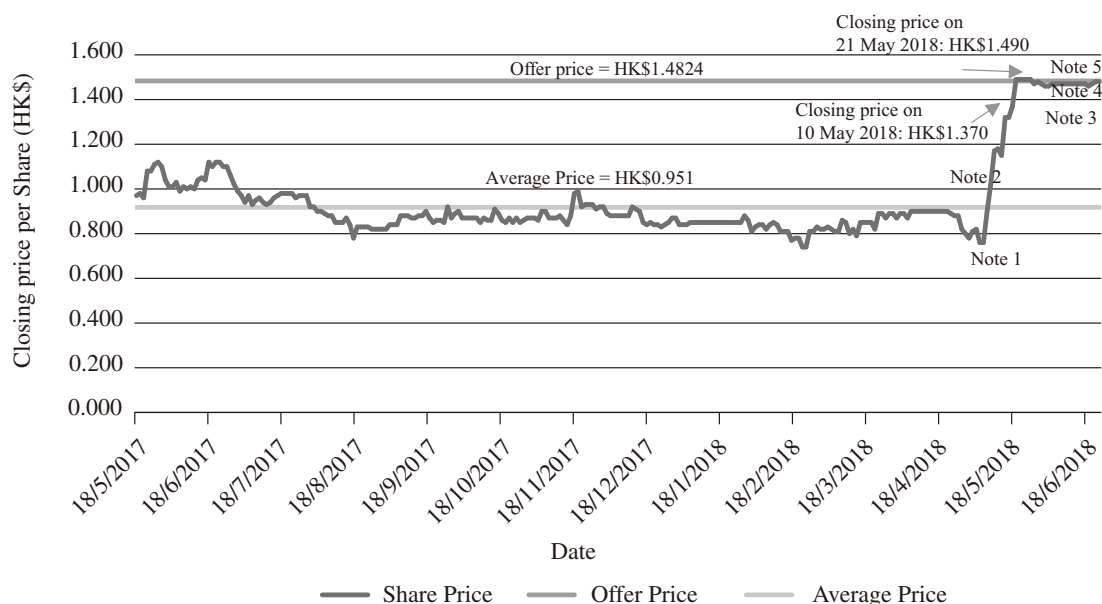
- (i) a premium of approximately 0.2% over the closing price of HK\$1.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.2% over the closing price of HK\$1.370 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 16.9% over the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$1.268 per Share;
- (iv) a premium of approximately 35.4% over the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.095 per Share;
- (v) a premium of approximately 56.5% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.947 per Share; and
- (vi) a premium of approximately 820.7% (the “NAV Premium”) over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.161 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2017, being the date to which the latest published audited financial results of the Group were made up.

#### *Historical price performance of the Shares*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 18 May 2017, which covers an approximate one year period prior to the commencement of the Offer Period, up to the Latest Practicable Date (the “Review Period”), of which we considered it an appropriate period to reflect the general trend and recent market valuation of the Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Historical daily closing price per Share



Source: The Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. First trading day after publication of 2017 Annual Report on 26 April 2018
2. Issuance of the Inside Information Announcement on 9 May 2018
3. Trading in the Shares was suspended from 11 May 2018 to 21 May 2018 (both dates inclusive)
4. The Joint Announcement was issued on 18 May 2018
5. Trading was resumed on 21 May 2018

During the period from 18 May 2017 to 30 April 2018, the closing prices of the Shares fluctuated in a range between HK\$0.740 and HK\$1.120. The closing price of the Shares rose significantly from HK\$0.900 as at 30 April 2018 to HK\$1.320 as at 9 May 2018 following the issuance of the inside information announcement in relation to the potential enforcement of the Security Charge (the “**Inside Information Announcement**”), and further to HK\$1.490 on 21 May 2018 following the Joint Announcement issued on 18 May 2018 (the closing price rose from HK\$1.370 before suspension of trading on 10 May 2018 to HK\$1.490 on the first day of resumption of trading on 21 May 2018) (the “**Price Hike**”) and slightly declined to HK\$1.480 as at the Latest Practicable Date. The Offer Price represents a premium of approximately 0.2% over the closing prices of the Shares as at the Latest Practicable Date and approximately 8.2% to the Last Trading Day, and has been above the closing prices of the Shares except after the first day of resumption of trading on 21 May 2018, i.e. approximately 100.3% higher than the lowest closing price of the Shares of HK\$0.74 and approximately 55.9% higher than the average closing price of the Shares during the Review Period of approximately HK\$0.951; and approximately 0.5% lower than the highest closing price of the Shares of HK\$1.49 during the Review Period.

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Given the deteriorating financial performance of the Group and the adverse market outlook for both the export sales and the lack luster retail market in Hong Kong in the recent years as demonstrated under the section headed “Financial information of the Group” above and the thin liquidity as depicted in the section headed “Historical trading liquidity of the Shares” below, there is no guarantee that the Share closing price will sustain at a level above the Offer Price after the Closing Date.

### *Historical trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares’ monthly trading volume as compared to (i) the total number of Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	No. of trading days in each month <i>Number of days</i>	Average daily trading volume (the “Average Volume”) <i>(Note 1)</i> <i>Number of Shares</i>	% of the Average Volume to total number of Shares held by the public as at Latest Practicable Date <i>(Note 2)</i> %	% of the Average Volume to total number of issued Shares as at Latest Practicable Date <i>(Note 3)</i> %
<b>2017</b>				
May	9	535,556	0.35%	0.14%
June	22	259,818	0.17%	0.07%
July	21	292,762	0.19%	0.08%
August	22	268,727	0.18%	0.07%
September	21	276,762	0.18%	0.07%
October	20	315,600	0.21%	0.08%
November	22	270,364	0.18%	0.07%
December	19	178,316	0.12%	0.05%
<b>2018</b>				
January	22	133,455	0.09%	0.03%
February	18	147,333	0.10%	0.04%
March	21	183,048	0.12%	0.05%
April	19	315,789	0.21%	0.08%
May	15	7,326,267	4.80%	1.91%
June (including and up to the Latest Practicable Date)	16	1,404,938	0.92%	0.37%
		<b>Minimum</b>	0.09%	0.03%
		<b>Maximum</b>	4.80%	1.91%
		<b>Average</b>	0.56%	0.22%

Source: The Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

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*Notes:*

1. Trading in the Shares was suspended from 11 May 2018 to 21 May 2018 (both dates inclusive).
2. Based on 152,756,000 Shares held by the public as at the Latest Practicable Date.
3. Based on 382,704,000 Shares in issue immediately as at the Latest Practicable Date

We noted from the above table that the percentage of the Average Volume to total number of Shares held by the public as at the Latest Practicable Date was thin (below 1%) during the Review Period, except for May 2018 in which the Inside Information Announcement and the Joint Announcement were published.

In light of the Shares are generally illiquid as depicted by the thin Average Volume during the Review Period except for May 2018, the disposal of large block of Shares held by the Shareholders in the open market after the Closing Date may trigger price slump of the Shares.

As advised by the Directors, the Directors were not aware of any specific event that might cause the relatively high trading volume of the Shares in May 2018 except for the publication of the Inside Information Announcement and the Joint Announcement.

Although the Offer Price has only a small premium of approximately 0.2% over the closing price as at the Latest Practicable Date, in view of the thin trading volume during most of the Review Period except for May 2018, there is no guarantee that the closing prices of the Shares will sustain at a level above the Offer Price after the Closing Date. Accordingly, we are of the view that the Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price in the open market, in particular when they are going to dispose of their entire holdings. We, therefore, consider that the Offer provides an exit alternative with the Offer Price being fair and reasonable for the Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the 2017 Annual Report and the Composite Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

Accordingly, the Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Comparison with other comparable companies*

We noted that the trading multiples analysis, such as price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”), are commonly adopted valuation methods in the market. Given that the Group was loss making for FY2017, we consider the PER analysis to be inapplicable.

In assessing the fairness and reasonableness of the Offer Price, we have compared the PBR, which is a commonly used benchmark in valuing a company, to other listed companies on the Stock Exchange.

We identified an exhaustive list of 4 companies (the “**Comparable Companies**”) which (i) has a principal business in manufacturing, processing, designing and retailing leather goods and accessories; and (ii) have their shares listed on the Stock Exchange. In view that the Group’s management has confirmed to us that the Group’s leather products are mainly fashion accessories such as belt, wallet, bag, card case, etc., we consider that the Company and the Comparable Companies are closely related in terms of the principal activities of such companies which are in general affected by similar macro-economic factors including, but not limited to, economy, outlook and demand from customers. Based on the foregoing, we consider the Comparable Companies as fair and representative comparables to the Company, the analysis of which is useful for assessing the fairness and reasonableness of the Offer Price.

The following table sets out the details of the Comparable Companies:

Company name	Stock code	Principal business	Closing price <i>(Note 1)</i> HK\$	Market capitalization <i>(Note 2)</i> HK\$ million	PBR <i>(Note 3)</i>
Sitoy Group Holdings Ltd	1023	Sitoy Group Holdings Ltd. manufactures leather products. The Company produces luxury handbags, small leather goods, and travel bags. Sitoy Group develops and designs products for international brand-name handbag producers and for a retail store chain in the United States.	1.68	1,682.6	0.80
Guangdong Tannery Ltd	1058	Guangdong Tannery Limited, through its subsidiaries, processes and sells semi-finished and finished leather products. The Company also trades merchandise.	0.80	430.4	2.80



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<b>Company name</b>	<b>Stock code</b>	<b>Principal business</b>	<b>Closing price</b> <i>(Note 1)</i> <i>HK\$</i>	<b>Market capitalization</b> <i>(Note 2)</i> <i>HK\$ million</i>	<b>PBR</b> <i>(Note 3)</i>
Sling Group Holdings Ltd	8285	Sling Group Holdings Limited operates as a holding company. The Company through its subsidiaries, produces and sells women's handbags including handle and clutch bags, wallets, coin cases, card holders, suitcases, and other products. Sling Group Holdings markets its products in Hong Kong and China.	0.26	145.6	3.90
Bauhaus International Holdings Ltd	483	Bauhaus International (Holdings) Limited, through its subsidiaries, designs, manufactures, wholesales, and retails apparel, bags and sacs and accessories under its own brand names as well as under other third-party brand names in the fashion industry.	1.80	661.3	0.90
				Average	2.10
				Maximum	3.90
				Minimum	0.80
The Company	264	Ascent International Holdings Limited designs and manufactures branded men's and women's leather accessories. The Company, through its subsidiaries, produces finished belt and small leather goods, on both an OEM (Original Equipment Manufacturing) and an ODM (Original Design Manufacturing) basis.	1.4824 <i>(Note 4)</i>	567.32 <i>(Note 5)</i>	9.22 <i>(Note 6)</i>

*Source: Bloomberg*

*Notes:*

1. Based on the closing price as quoted on the Stock Exchange on 10 May 2018, being the Last Trading Day.
2. Based on the number of shares in issue as at 10 May 2018 of the respective Comparable Companies.
3. Market capitalization divided by the net asset from the latest financial report of the respective Comparable Companies.
4. Offer Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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5. The valuation of the entire equity of the Group which is calculated by multiplying the Offer Price and the total number of issued Shares as of the Latest Practicable Date of approximately HK\$1.4824 and 382,704,000, respectively, amounting to approximately HK\$567.32 million.
6. The implied PBR of the Offer Price is calculated by dividing the valuation of the entire equity of the Group of approximately HK\$567.32 million by the net asset value as at 31 December 2017 of approximately HK\$61.53 million.

In addition, we noticed that the Offer Price represents a small premium of approximately 0.2% over the closing price of the Shares as at the Latest Practicable Date, a premium of approximately 8.2% over the Last Trading Day and is approximately 100.3% above the lowest closing price and approximately 55.9% higher than the average closing price of the Shares of approximately HK\$0.951 and is only approximately 0.5% below the highest closing price of the Shares during the Review Period.

As illustrated in the table set out above, the PBRs of the Comparable Companies ranged from approximately 0.80 times to approximately 3.90 times, with an average of approximately 2.10 times. Accordingly, the implied PBR of the Offer Price of approximately 9.22 times is 2.4 times and 4.4 times of the maximum and average PBR of the Comparable Companies respectively. We noticed that although the implied PBR of the Offer Price appears to be unusual in relation to the Comparable Companies, the Offer Price of HK\$1.4824 represents a premium of approximately 8.2% over the closing price of HK\$1.370 per Share on the Last Trading Day which in turn represents a significant premium of approximately 750.9% over the Company's net asset value per Share of HK\$0.161 as discussed earlier. It is noted that the Offer Price is at a small premium over the price of the Shares as of the Latest Practicable Date, which is considered more attractive to the Independent Shareholders to accept the Offer Price. Based on the foregoing, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

Having taken into account the following factors:

- (i) the unsatisfactory financial performance of the Group for FY2017, PE2016 and FY2016;
- (ii) the Average Volume in the Shares was thin (below 1% of the total number of Shares held by the public as at the Latest Practicable Date) during the Review Period except for May 2018;
- (iii) the exceptionally high NAV Premium of approximately 820.7% or an implied PBR of the Offer Price of 9.22 times which compares favourably with the Comparable Companies;
- (iv) the Offer Price represents a premium of approximately 0.2% over the closing prices of the Shares as at the Latest Practicable Date and 8.2% to the Last Trading Day; and
- (v) the Offer Price is above the closing prices of the Shares during most of the trading days during the Review Period, i.e. approximately 100.3% higher than the lowest closing price of the Shares of HK\$0.740 and approximately 55.9% higher than the average closing price of the Shares of approximately HK\$0.951; and approximately 0.5% lower than the highest closing price of the Shares of HK\$1.490 during the Review Period,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider the Offer Price to be fair and reasonable so far as the Independent Shareholders are concerned.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (i) the Offer Price is fair and reasonable for the Independent Shareholders as stated above;
- (ii) given the consistent loss-making record of the Group since the year ended 31 March 2013 as per the “Five years financial summary” set out in the 2017 and 2016 Annual Reports and the adverse market outlook for both the export sales and the lack luster retail market in Hong Kong in the recent years as demonstrated under the section headed “Financial and other information of the Group” above, the future prospect of the Group appears uncertain and there is no guarantee that the closing price of the Shares will sustain at a level above the Offer Price after the Closing Date;
- (iii) in respect of the aforementioned uncertain future prospects of the Group, (a) the Offeror does not appear to have formulated any concrete plans to return the Group’s business back to profitability as at the Latest Practicable Date; and (b) the proposed New Directors as key decision makers of the Group do not appear to possess relevant experience in the Group’s existing principal businesses;
- (iv) if the Offeror indeed implements “debt or equity fund raising to strengthen capital base for the enhancement of the long term business development of the Group” as mentioned in the section headed “Intentions of the Offeror in relation to the Group” in the First Shanghai Letter, the existing Shareholders may potentially be subject to dilution to their shareholding interest in the Company;
- (v) the Offer Price represents a premium of approximately 0.2% over the closing prices of the Shares as at the Latest Practicable Date and 8.2% to the Last Trading Day;
- (vi) the Offer Price is above the closing prices of the Shares during most of the trading days during the Review Period, i.e. approximately 100.3% higher than the lowest closing price of the Shares of HK\$0.740, approximately 55.9% higher than the average closing price of the Shares of approximately HK\$0.951 and approximately 0.5% lower than the highest closing price of the Shares of HK\$1.490 during the Review Period;
- (vii) the disposal of large block of Shares held by the Independent Shareholders in the open market may take a long time and trigger price slump of the Shares as a result of the thin Average Volume during most of the Review Period except for May 2018; and
- (viii) the liquidity of the Shares in general was low throughout the Review Period except for May 2018 and therefore the Offer provides an opportunity for the Shareholders to sell their Shares at premium over the prevailing market prices,

we consider that the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

We would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer

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Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. Further terms and conditions of the Offer are set out in the First Shanghai Letter and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they would carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

Yours faithfully,  
For and on behalf of  
**Grand Moore Capital Limited**  
**Philip Chau**  
*Managing Director of Investment Banking*

*Note:*

Mr. Philip Chau is a licensed person under the SFO to undertake types 1 and 6 regulated activities (dealing in securities and advising on corporate finance, respectively) and is a responsible officer in respect of Grand Moore's type 6 regulated activity (advising on corporate finance). Mr. Chau has over 30 years of experience in banking and corporate finance.

**1. PROCEDURES FOR ACCEPTANCE OF THE OFFER**

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong, by post or by hand, marked "**Ascent International Holdings Limited General Offer**" on the envelope, as soon as possible but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**Ascent International Holdings Limited General Offer**" the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar by no later than 4:00 p.m. on the Closing Date; or
- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Ascent International Holdings Limited General Offer**" the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar by no later than 4:00 p.m. on the Closing Date; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "**Ascent International Holdings Limited General Offer**" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "**Ascent International Holdings Limited General Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or First Shanghai Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf

and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the Form of Acceptance and any relevant documents as required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (for example, grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and in all respects in accordance with the Takeovers Code and have been received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be

despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days after the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

### **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code. The Offer is unconditional.
- (b) The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer as so extended.
- (e) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholders who accept the Offer become entitled to withdraw their acceptance under the paragraph headed "6. RIGHT OF WITHDRAWAL" below and duly do so.

### **4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.



**5. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, or has expired (and, in each case, whether as to acceptances or in all respects).

The announcement will state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offer and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number or principal amount of Shares represented by acceptances as of the Closing Date, only valid acceptances that are in complete, in good order and fulfill the acceptance conditions set out in the paragraph headed "1. PROCEDURES FOR ACCEPTANCE OF THE OFFER" above, and which have been received by the Registrar respectively no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code, shall be included.

- (b) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments, will be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

**6. RIGHT OF WITHDRAWAL**

- (a) Acceptances of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with the requirements of making announcements relating to the Offer as described in the paragraph headed “5. ANNOUNCEMENTS” above, the Executive may require that Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms acceptable to the Executive until such requirements set out in that paragraph are met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholders.

If the Offer is withdrawn, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to, or make such Share certificate(s) and/or document(s) available for collection by, the relevant Independent Shareholders who have accepted the Offer.

**7. STAMP DUTY**

Seller’s ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer’s ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

**8. OVERSEAS SHAREHOLDERS**

As the Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders whose addresses as shown in the register of members of the Company are outside Hong Kong and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

#### 9. TAX ADVICE

Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror nor the Company accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

#### 10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and the Offeror, its beneficial owner, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances are governed by and shall be construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, First Shanghai Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares in respect of which such person or persons has accepted the Offer.

- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Offer are sold by such person or persons free from all Encumbrances and together with all rights accruing or attaching thereto including (without limitation) the rights to receive in full all dividends and distributions declared, made or paid on or after the date on which the Offer is made.
- (g) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or First Shanghai Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as legal or business advice on the part of the Company, the Offeror and parties acting in concert with it, First Shanghai Securities, First Shanghai

Capital, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.

- (l) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, no person other than the Offeror and the accepting Independent Shareholders may enforce any terms of the Offer that will arise out of complete and valid acceptances under the Contracts (Rights of Third Parties) Ordinance, Cap. 623 of the Laws of Hong Kong.
  
- (m) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

**1. SUMMARY OF FINANCIAL INFORMATION**

Set out below is a summary of the audited consolidated financial information of the Group for the year ended 31 December 2017, the nine months ended 31 December 2016 and the two years ended 31 March 2015 and 2016 as extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the year ended 31 December 2017, the nine months ended 31 December 2016 and the two years ended 31 March 2015 and 2016:

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the nine months ended 31 December 2016 HK\$'000</b>	<b>For the year ended 31 March 2016 HK\$'000</b>	<b>For the year ended 31 March 2015 HK\$'000</b>
Revenue	78,937	83,256	128,259	128,711
Loss before taxation	(16,676)	(10,708)	(26,231)	(25,230)
Income tax expense	–	(87)	(1,821)	(550)
Loss attributable to owners of the Company	(14,225)	(10,795)	(28,052)	(25,780)
Dividends	–	–	147,998	–
Dividends per share (HK cents)	–	–	0.4254	–
Basic and diluted loss per share attributable to owners of the Company (HK cents)	(4.05)	(3.10)	(8.31)	(8.09)

The Group has no exceptional items (because of size, nature or incidence) in respect of the consolidated financial results of the Group for each of the aforesaid period. BDO Limited, the auditor of the Company, did not issue any qualified opinion on the financial statements of the Group for the year ended 31 December 2017, the nine months ended 31 December 2016 and the two years ended 31 March 2015 and 2016.

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The following is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		<b>For the year ended 31 December 2017</b>	<b>For the period from 1 April 2016 to 31 December 2016</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	78,937	83,256
Cost of sales		<u>(43,958)</u>	<u>(54,003)</u>
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		<u>(29,054)</u>	<u>(19,288)</u>
<b>Loss before income tax expense</b>	8	(16,676)	(10,708)
Income tax expense	11	<u>–</u>	<u>(87)</u>
Loss from continuing operations		(16,676)	(10,795)
<b>Profit from discontinued operation</b>	12	<u>2,451</u>	<u>–</u>
<b>Loss for the year/period attributable to owners of the Company</b>		<u>(14,225)</u>	<u>(10,795)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of operations outside Hong Kong		639	(711)
Other comprehensive income arising from discontinued operation	12	<u>153</u>	<u>–</u>
Other comprehensive income for the year/period		<u>792</u>	<u>(711)</u>
<b>Total comprehensive income for the year/period attributable to owners of the Company</b>		<u>(13,433)</u>	<u>(11,506)</u>

		<b>For the year ended 31 December 2017 <i>HK\$'000</i></b>	<b>For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i></b>
	<i>Notes</i>		
<b>Attributable to:</b>			
Continuing operations		(16,037)	(11,506)
Discontinued operation		2,604	–
		<u>          </u>	<u>          </u>
<b>Total comprehensive income for the year/period</b>		<b><u>(13,433)</u></b>	<b><u>(11,506)</u></b>
<b>Loss per share from continuing operations attributable to owners of the Company</b>			
– Basic and diluted	<i>13</i>	<b><u>(HK4.74 cents)</u></b>	<b><u>(HK3.10 cents)</u></b>
<b>Loss per share attributable to owners of the Company</b>			
– Basic and diluted	<i>13</i>	<b><u>(HK4.05 cents)</u></b>	<b><u>(HK3.10 cents)</u></b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>14</i>	662	963
Deposits paid		<u>1,226</u>	<u>3,260</u>
		<u>1,888</u>	<u>4,223</u>
<b>Current assets</b>			
Inventories	<i>15</i>	28,275	35,512
Trade and bills receivables	<i>16</i>	8,402	13,131
Other receivables, deposits and prepayments		4,275	5,124
Amounts due from fellow subsidiaries	<i>18</i>	8	5
Tax recoverable		284	265
Bank balances and cash		<u>44,507</u>	<u>21,475</u>
		<u>85,751</u>	<u>75,512</u>
<b>Current liabilities</b>			
Trade payables	<i>17</i>	3,754	5,531
Other payables and accrued charges		9,563	13,654
Amount due to a director	<i>18</i>	–	121
Amounts due to fellow subsidiaries	<i>18</i>	7,206	4,180
Amount due to an intermediate holding company	<i>18</i>	<u>5,590</u>	<u>5,590</u>
		<u>26,113</u>	<u>29,076</u>
<b>Net current assets</b>		<u>59,638</u>	<u>46,436</u>
<b>Total assets less current liabilities/Net assets</b>		<u><b>61,526</b></u>	<u><b>50,659</b></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>20</i>	3,827	3,479
Reserves		<u>57,699</u>	<u>47,180</u>
<b>Total equity</b>		<u><b>61,526</b></u>	<u><b>50,659</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK\$'000 (Note 20)	Share premium HK\$'000 (Note 24(i))	Foreign exchange reserve HK\$'000 (Note 24(iii))	Statutory and discretionary reserves HK\$'000 (Note)	Retained earnings/ (accumulated losses) HK\$'000 (Note 24 (ii))	Total HK\$'000
At 1 April 2016	3,479	53,808	3,693	5,249	(4,064)	62,165
Loss for the period	-	-	-	-	(10,795)	(10,795)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	(711)	-	-	(711)
Total comprehensive income for the period	-	-	(711)	-	(10,795)	(11,506)
At 31 December 2016 and 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 22)	-	-	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 20)	348	23,952	-	-	-	24,300
<b>At 31 December 2017</b>	<b>3,827</b>	<b>77,760</b>	<b>3,774</b>	<b>5,249</b>	<b>(29,084)</b>	<b>61,526</b>

*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 2017

	For the year ended 31 December 2017 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Loss before income tax expense		
Continuing operations	(16,676)	(10,708)
Discontinued operation	2,451	–
	<u>          </u>	<u>          </u>
Loss before income tax including discontinued operation	(14,225)	(10,708)
Adjustments for:		
Interest income	(55)	(42)
Depreciation of property, plant and equipment	216	299
Gain on disposal of property, plant and equipment	(38)	–
Net gain on disposal of a subsidiary, net of transaction cost of HK\$86,000 ( <i>Notes 12 and 22</i> )	(4,809)	–
Impairment loss/(reversal of impairment loss) on trade receivables	7	(40)
(Reversal of write-down)/write-down of inventories	(3,044)	370
Written off of on property, plant and equipment	–	11
	<u>          </u>	<u>          </u>
<b>Operating loss before working capital changes</b>	(21,948)	(10,110)
Decrease in deposits paid	2,053	1,192
Decrease in inventories	11,618	3,317
Decrease/(increase) in trade and bills receivables	5,345	(5,547)
Decrease/(increase) in other receivables, deposits and prepayments	787	(3,282)
(Decrease)/increase in trade payables	(68)	896
(Decrease)/increase in other payables and accrued charges	(2,083)	2,374
	<u>          </u>	<u>          </u>
<b>Cash used in operations</b>	(4,296)	(11,160)
PRC Enterprise Income Tax paid	–	(154)
	<u>          </u>	<u>          </u>
<b>Net cash used in operating activities</b>	(4,296)	(11,314)

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the period from 1 April 2016 to 31 December 2016 HK\$'000</b>
<b>Cash flows from investing activities</b>		
Interest received	55	42
Purchases of property, plant and equipment	(10)	(40)
Net cash outflow from disposal of a subsidiary ( <i>Note 22</i> )	(2,098)	–
Payment for the professional fees related to disposal of a subsidiary ( <i>Note 22</i> )	(86)	–
Sales proceeds from disposal of property, plant and equipment	152	–
Increase in amount due from a fellow subsidiary	(2,630)	(5)
<b>Net cash used in investing activities</b>	<u>(4,617)</u>	<u>(3)</u>
<b>Cash flows from financing activities</b>		
(Decrease)/increase in amount due to a director ( <i>Note 29(b)</i> )	(121)	121
Increase in amounts due to fellow subsidiaries ( <i>Note 29(b)</i> )	7,116	4,260
Proceeds from issue of shares, net of issue expenses of HK\$234,000	24,300	–
Increase in amount due to an intermediate holding company	–	5,000
<b>Net cash generated from financing activities</b>	<u>31,295</u>	<u>9,381</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	22,382	(1,936)
<b>Cash and cash equivalents at beginning of year/period</b>	21,475	24,008
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>650</u>	<u>(597)</u>
<b>Cash and cash equivalents at end of year/period represented by bank balances and cash</b>	<u><u>44,507</u></u>	<u><u>21,475</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***31 December 2017***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, 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 as detailed in note 12.

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

Due to the change of financial year end date from 31 March to 31 December in 2016 in order to be co-terminus with the new ultimate holding company, the consolidated financial statements for the current year cover a twelve-month period while the comparative amounts for consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of nine-month period, and therefore they are not entirely comparable.

**2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)****(a) Adoption of amendments to HKFRSs – first effective on 1 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 <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRS 2015-2017 Cycle <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> 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*

As disclosed in note 4(d), currently the Group classifies leases into operating leases, and accounts 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 impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. As disclosed in note 26, 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 Associate 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.

### 3. BASIS OF PREPARATION

(a) **Statement of compliance**

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

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

### 4. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of consolidation**

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

(b) **Subsidiaries**

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

(c) **Property, plant and equipment**

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

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

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

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

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

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

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

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

**(d) Leasing**

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

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

**(e) Financial instruments**

*(i) Financial assets*

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

Loans and receivables, including deposits paid, trade and bills receivables, other receivables, deposits, 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*

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

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

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

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

(iii) *Financial liabilities*

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

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

(iv) *Effective interest method*

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

(v) *Equity instruments*

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

(vi) *Derecognition*

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

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

**(f) 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.

**(g) Inventories**

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

**(h) Revenue recognition**

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

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

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

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

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) 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.

**(n) 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.

**(o) Related parties**

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

**Key sources of estimation uncertainty**

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

*Write-down of inventories*

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

*Impairment loss on trade receivables*

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

**6. SEGMENT REPORTING**

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

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

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

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

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 12.

## (a) Reportable segments

	Manufacturing business		Retail business		Total	
	For the year ended 31 December 2017 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>	For the year ended 31 December 2017 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>	For the year ended 31 December 2017 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>
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	<u>57,150</u>	<u>65,790</u>	<u>27,888</u>	<u>23,779</u>	<u>85,038</u>	<u>89,569</u>
Reportable segment loss	<u>(2,764)</u>	<u>(48)</u>	<u>(3,059)</u>	<u>(3,340)</u>	<u>(5,823)</u>	<u>(3,388)</u>
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	<u>11,067</u>	<u>14,229</u>	<u>912</u>	<u>1,101</u>	<u>11,979</u>	<u>15,330</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>		
Reportable segment revenue	85,038	89,569
Elimination of inter-segment revenue	<u>(6,101)</u>	<u>(6,313)</u>
Consolidated revenue	<u>78,937</u>	<u>83,256</u>
<b>Loss before income tax expense</b>		
Reportable segment loss	(5,823)	(3,388)
Elimination of inter-segment gains	(483)	(973)
Interest income	55	42
Unallocated corporate expenses ( <i>Note (i)</i> )	<u>(10,425)</u>	<u>(6,389)</u>
Consolidated loss before income tax expense	<u>(16,676)</u>	<u>(10,708)</u>
<b>Depreciation of property, plant and equipment</b>		
Reportable segment depreciation	172	223
Depreciation of unallocated property, plant and equipment	<u>44</u>	<u>76</u>
Consolidated depreciation of property, plant and equipment	<u>216</u>	<u>299</u>



	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Additions to property, plant and equipment</b>		
Reportable segment additions	10	35
Unallocated additions to property, plant and equipment	–	5
	<u>10</u>	<u>5</u>
Consolidated additions to property, plant and equipment	<u>10</u>	<u>40</u>
<b>Assets</b>		
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
	<u>87,639</u>	<u>79,735</u>
Consolidated total assets	<u>87,639</u>	<u>79,735</u>
<b>Liabilities</b>		
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 ( <i>Note (ii)</i> )	1,338	3,855
	<u>26,113</u>	<u>29,076</u>
<b>Consolidated total liabilities</b>	<u>26,113</u>	<u>29,076</u>

*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 <i>(Note)</i>		Property, plant and equipment	
	For the year ended 31 December 2017 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>78,937</u>	<u>83,256</u>	<u>662</u>	<u>963</u>

*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 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>
Customer A	N/A*	8,858
Customer B	8,995	N/A*
	<u>8,995</u>	<u>8,858</u>

\* 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.

**7. REVENUE**

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

**8. LOSS BEFORE INCOME TAX EXPENSE**

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

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the period from 1 April 2016 to 31 December 2016 HK\$'000</b>
Auditor's remuneration	800	750
Cost of inventories recognised as expenses	43,958	54,003
Employee costs, excluding directors' emoluments ( <i>Note 9</i> )	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 (Reversal of write-down)/write-down of inventories, net (included in cost of sales)	7 (3,044)	(40) 370
Foreign exchange (gain)/loss, net	(951)	52
Interest income	(55)	(42)
	<u>                    </u>	<u>                    </u>

**9. EMPLOYEE COSTS, EXCLUDING DIRECTORS' EMOLUMENTS**

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the period from 1 April 2016 to 31 December 2016 HK\$'000</b>
Salaries and other benefits	37,423	28,841
Retirement benefits scheme contributions	2,506	2,557
	<u>                    </u>	<u>                    </u>
	<u>39,929</u>	<u>31,398</u>

## 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' emoluments

Details of directors' emoluments for the year ended 31 December 2017 are as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2017</b>				
<i>Executive directors:</i>				
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)	–	–	–	–
<i>Independent non-executive directors:</i>				
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
<i>Non-executive director:</i>				
Lui Kwok Wai (Appointed on 28 February 2017 and resigned on 16 March 2018)	–	–	–	–
<b>Total</b>	<b>569</b>	<b>667</b>	<b>31</b>	<b>1,267</b>

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

No directors waived any emoluments during the year ended 31 December 2017 and the period ended from 1 April 2016 to 31 December 2016.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 and the period ended 31 December 2016 are not directors of the Company. The emoluments of the top five (period ended 31 December 2016: 5 individuals) are as follows:

	<b>For the year ended 31 December 2017 <i>HK\$'000</i></b>	<b>For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i></b>
Salaries and other benefits	4,047	2,484
Discretionary bonuses	189	–
Retirement benefits scheme contributions	167	97
	<b>4,403</b>	<b>2,581</b>

The emoluments of the top five (period ended 31 December 2016: 5) individuals were within the following bands:

	<b>For the year ended 31 December 2017 <i>No. of individuals</i></b>	<b>For the period from 1 April 2016 to 31 December 2016 <i>No. of individuals</i></b>
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	–

During the year ended 31 December 2017 and the period from 1 April 2016 to 31 December 2016, no emolument was paid to the directors or any of the five highest paid individuals as an inducement to join or upon joining by the Group or as compensation for loss of office.

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

	<b>For the year ended 31 December 2017 <i>No. of individuals</i></b>	<b>For the period from 1 April 2016 to 31 December 2016 <i>No. of individuals</i></b>
Nil to HK\$1,000,000	13	8

#### 11. INCOME TAX EXPENSE

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

	<b>For the year ended 31 December 2017 <i>HK\$'000</i></b>	<b>For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i></b>
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%).

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

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the period from 1 April 2016 to 31 December 2016 HK\$'000</b>
Loss from continuing operations before taxation	(16,676)	(10,708)
Profit from discontinued operation before taxation (Note 12(i))	2,451	–
	<u>(14,225)</u>	<u>(10,708)</u>
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	(2,347)	(1,767)
Tax effect of expenses not deductible for tax purpose	3,332	2,397
Tax effect of income not taxable for tax purpose	(1,810)	(458)
Under-provision in respect of prior years	–	66
Effect of different tax rates of subsidiaries operating in other jurisdiction	(1,069)	(685)
Tax effect of tax losses not recognised	3,170	1,817
Utilisation of tax losses previously not recognised	(1,326)	(1,025)
Tax effect of other deductible temporary difference not recognised	50	(258)
	<u>–</u>	<u>87</u>
Income tax expense	<u>–</u>	<u>87</u>

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.

## 12. 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 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:

	<b>For the period from 1 January 2017 to 4 September 2017 HK\$'000</b>
Revenue ( <i>Note</i> )	10,021
Cost of sales	<u>(6,204)</u>
Gross profit	3,817
Other income	10
Administrative and other operating expenses	<u>(6,185)</u>
Loss before income tax of discontinued operation	(2,358)
Income tax expense	<u>–</u>
Loss after income tax of discontinued operation	(2,358)
Net gain on disposal of Leisure Group after income tax and transaction costs ( <i>Note 12(iii)</i> )	<u>4,809</u>
Profit from discontinued operation	<u>2,451</u>
Other comprehensive income	
Exchange differences on translation of discontinued operation	<u>153</u>
Total comprehensive income from discontinued operation	<u><u>2,604</u></u>

*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 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.



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

	<b>For the period from 1 January 2017 to 4 September 2017 HK\$'000</b>
Net cash inflows from operating activities	702
Net cash outflows from investing activities	(2,609)
Net cash inflows from financing activities	<u>2,080</u>
Net increase in cash and cash equivalents	<u><u>173</u></u>
	<b>2017</b>
Earnings per share	
Basic and diluted, from discontinued operation	<u><u>0.70 cents</u></u>

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

	<b>For the year ended 31 December 2017 HK\$'000</b>
Profit attributable to owners of the Company from discontinued operation	<u><u>2,451</u></u>
	<b>For the year ended 31 December 2017 '000</b>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u><u>351,622</u></u>

(iii) **Details of disposal**

	<b>2017 HK\$'000</b>
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	<u>(86)</u>
Net gain on disposal after income tax and transaction costs	<u><u>4,809</u></u>

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

	<b>As at 4 September 2017</b>
	<i>HK\$'000</i>
Trade and other receivables	156
Amounts due from fellow subsidiaries	2,667
Cash and bank balances	2,098
	<hr/>
<b>Total assets</b>	<b>4,921</b>
	<hr/>
Trade and other payables	(5,616)
Amounts due to fellow subsidiaries	(4,353)
	<hr/>
<b>Total liabilities</b>	<b>(9,969)</b>
	<hr/>
<b>Net liabilities</b>	<b>(5,048)</b>
	<hr/> <hr/>

### 13. LOSS PER SHARE

#### (a) Basic loss per share

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

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

	<b>For the year ended 31 December 2017</b>	<b>For the period from 1 April 2016 to 31 December 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from continuing operations	(16,676)	(10,795)
Profit from discontinued operation ( <i>Note 12(i)</i> )	2,451	–
	<hr/>	<hr/>
Loss attributable to owners of the Company	<b>(14,225)</b>	<b>(10,795)</b>
	<hr/> <hr/>	<hr/> <hr/>

The weighted average number of 351,622,000 ordinary shares (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.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
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
	<u>7,431</u>	<u>6,117</u>	<u>13,654</u>	<u>2,106</u>	<u>29,308</u>
At 31 December 2017	<u>7,431</u>	<u>6,117</u>	<u>13,654</u>	<u>2,106</u>	<u>29,308</u>
<b>Accumulated depreciation and impairment</b>					
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
	<u>7,326</u>	<u>5,947</u>	<u>13,422</u>	<u>1,951</u>	<u>28,646</u>
At 31 December 2017	<u>7,326</u>	<u>5,947</u>	<u>13,422</u>	<u>1,951</u>	<u>28,646</u>
<b>Net book value</b>					
At 31 December 2017	<u>105</u>	<u>170</u>	<u>232</u>	<u>155</u>	<u>662</u>
<b>Cost</b>					
At 1 April 2016	9,591	6,081	14,060	2,529	32,261
Additions	–	40	–	–	40
Write-off	(2,187)	(6)	(406)	–	(2,599)
Exchange realignment	(144)	(9)	–	(43)	(196)
	<u>7,260</u>	<u>6,106</u>	<u>13,654</u>	<u>2,486</u>	<u>29,506</u>
At 31 December 2016	<u>7,260</u>	<u>6,106</u>	<u>13,654</u>	<u>2,486</u>	<u>29,506</u>
<b>Accumulated depreciation and impairment</b>					
At 1 April 2016	9,377	5,861	13,691	2,078	31,007
Depreciation	59	51	72	117	299
Eliminated on disposals	(2,176)	(6)	(406)	–	(2,588)
Exchange realignment	(136)	(6)	–	(33)	(175)
	<u>7,124</u>	<u>5,900</u>	<u>13,357</u>	<u>2,162</u>	<u>28,543</u>
At 31 December 2016	<u>7,124</u>	<u>5,900</u>	<u>13,357</u>	<u>2,162</u>	<u>28,543</u>
<b>Net book value</b>					
At 31 December 2016	<u>136</u>	<u>206</u>	<u>297</u>	<u>324</u>	<u>963</u>

## 15. INVENTORIES

	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Raw materials	19,870	25,815
Work in progress	1,960	1,299
Finished goods	6,445	8,398
	<u>28,275</u>	<u>35,512</u>

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.

The impairment loss of HK\$370,000 for the year ended 31 December 2016 was mainly due to decrease in the estimated net realisable value of certain slow moving inventories.

## 16. TRADE AND BILLS RECEIVABLES

	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Trade and bills receivables	9,163	13,885
Less: impairment loss	(761)	(754)
	<u>8,402</u>	<u>13,131</u>

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:

	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
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
	<u>8,402</u>	<u>13,131</u>

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.

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

	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Less than 30 days past due	4,019	1,259
31–60 days past due	118	113
61–90 days past due	796	2
91–120 days past due	334	110
121–365 days past due	359	748
More than 365 days	46	–
	<u>5,672</u>	<u>2,232</u>

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

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

	<b>For the year ended 31 December 2017</b> <i>HK\$'000</i>	<b>For the period from 1 April 2016 to 31 December 2016</b> <i>HK\$'000</i>
At beginning of the year/period	754	794
Impairment loss/(reversal of impairment loss) recognised	<u>7</u>	<u>(40)</u>
At end of the year/period	<u>761</u>	<u>754</u>

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

## 17. TRADE PAYABLES

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

	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
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	<u>307</u>	<u>320</u>
	<u>3,754</u>	<u>5,531</u>

**18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND AMOUNTS DUE TO A DIRECTOR, FELLOW SUBSIDIARIES AND AN INTERMEDIATE HOLDING COMPANY**

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

**19. UNRECOGNISED DEFERRED TAXATION**

As at 31 December 2017, the Group had other deductible temporary difference of approximately HK\$5,028,000 (2016: HK\$5,335,000) and unused tax losses of approximately HK\$78,153,000 (2016: HK\$69,646,000). The deductible temporary difference and unused tax losses of approximately HK\$5,028,000 (2016: HK\$5,335,000) and HK\$63,037,000 (2016: HK\$64,918,000), respectively, can be carried forward indefinitely, while the remaining unused tax losses of approximately HK\$15,116,000 (2016: HK\$4,728,000) will expire in five years from the respective date of incurrence. Deferred tax assets have not been recognised in relation to such deductible temporary difference and unused tax losses due to unpredictability of future profit streams.

As at 31 December 2017, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK\$10,967,000 (31 December 2016: HK\$12,267,000) 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.

**20. SHARE CAPITAL****(a) Authorised and issued share capital**

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 April 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,000,000,000	20,000
<b>Issued and fully paid:</b>		
At 1 April 2016, 31 December 2016 and 1 January 2017	347,904,000	3,479
Shares issued under a subscription agreement (Note)	34,800,000	348
At 31 December 2017	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 financing 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\$61,526,000 (2016: HK\$50,659,000) as shown in the consolidated statement of financial position as at 31 December 2017. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

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

No changes were made in the objectives or policies during the year ended 31 December 2017.

**21. 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.

**22. DISPOSAL OF SUBSIDIARIES**

On 4 September 2017, the Group completed the disposal of its 100% equity interest in Leisure Group as detailed in note 12 at a cash consideration of HK\$1. This disposal resulted in a net gain of HK\$4,809,000.

The assets and liabilities of the captioned subsidiaries disposed of as at 4 September 2017 are as follows:

	<b>4 September 2017 HK\$'000</b>
Net liabilities disposal of:	
Trade and other receivables	156
Amounts due from fellow subsidiaries	2,667
Cash and cash equivalents	2,098
Trade and other payables	(5,616)
Amounts due to fellow subsidiaries	(4,353)
	<u>(5,048)</u>
Net liabilities disposed of	<u>(5,048)</u>
Net liabilities attributable to equity owners of the Company	(5,048)
Foreign exchange reserve realised on disposal	153
Transaction costs incurred for the disposal	86
Net gain on disposal of a subsidiary	4,809
	<u>—</u>
Cash consideration	<u>—</u>
Satisfied by:	
Cash consideration received	—
Cash of subsidiaries disposed of	(2,098)
	<u>(2,098)</u>
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	<u>(2,098)</u>

## 23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investments in subsidiaries		52,455	55,844
Deposit paid		—	2,000
		<u>52,455</u>	<u>57,844</u>
<b>Current assets</b>			
Other receivables		391	394
Amounts due from subsidiaries		29	1
Amounts due from fellow subsidiaries		8	—
Bank balances and cash		22,572	2,138
		<u>23,000</u>	<u>2,533</u>
<b>Current liabilities</b>			
Accrued charges and other payables		1,338	1,260
Amounts due to subsidiaries		435	839
Amount due to a director		—	121
Amounts due to fellow subsidiaries		7,206	2,171
Amount due to an intermediate holding company		5,590	5,590
		<u>14,569</u>	<u>9,981</u>
<b>Net current assets/(liabilities)</b>		<u>8,431</u>	<u>(7,448)</u>
<b>Total net assets</b>		<u>60,886</u>	<u>50,396</u>
<b>Capital and reserves</b>			
Share capital	<i>20</i>	3,827	3,479
Reserves	<i>24</i>	57,059	46,917
<b>Total equity</b>		<u>60,886</u>	<u>50,396</u>



## 24. RESERVES

## The Company

	<b>Share premium HK\$'000 (Note (i))</b>	<b>Retained earnings/ (accumulated losses) HK\$'000 (Note (ii))</b>	<b>Total HK\$'000</b>
At 1 April 2016	101,979	(58,966)	43,013
Profit and total comprehensive income for the period	–	3,904	3,904
At 31 December 2016 and 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 20(a))	23,952	–	23,952
At 31 December 2017	<u>125,931</u>	<u>(68,872)</u>	<u>57,059</u>

Notes:

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

<b>Reserve</b>	<b>Description and purpose</b>
(i) Share premium	Amount subscribed for share capital in excess of nominal value.
(ii) Retained earnings/(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 2017 are as follows:

Name	Place of incorporation or establishment/ operations	Issued share capital/paid-up registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
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

Name	Place of incorporation or establishment/ operations	Issued share capital/paid-up registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
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 (Note (a))	The BVI	Ordinary share USD1	100%	–	Inactive
Shine On Management Limited (Note (a))	Hong Kong	Ordinary share HK\$1	–	100%	Inactive

*Notes:*

- (a) These subsidiaries were newly incorporated/established during the year ended 31 December 2017.
- (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/period.

## 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 (2016: one to five years), and the leases for certain retail outlets include contingent rents, which are determined by applying pre-determined percentages to sales less the basic rentals of the respective leases.

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

	For the year ended 31 December 2017 HK\$'000	For the period from 1 April 2016 to 31 December 2016 HK\$'000
Minimum lease payments	15,426	13,226
Contingent rents	–	70
	<u>15,426</u>	<u>13,296</u>

The total future minimum lease payments are due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Not later than one year	9,115	11,653
Later than one year and not later than five years	9,215	13,247
	<u>18,330</u>	<u>24,900</u>

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/period:

	For the year ended 31 December 2017 <i>HK\$'000</i>	For the period from 1 April 2016 to 31 December 2016 <i>HK\$'000</i>
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	<u>780</u>	<u>585</u>

Mr. Chan Woon Man is a director of a subsidiary of the Company and was previously a substantial shareholder of the Company up to 7 September 2015. Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man. The above related party transaction constituted continuing connected transaction, as defined in Chapter 14A of the Listing Rules.

### (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 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 a fellow subsidiary of the Company as detailed in note 12, 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 service 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) (2016: Nil). 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 a fellow subsidiary as detailed in note 12, which is an indirectly wholly-owned subsidiary of Zhonghong.

The above related party transactions constituted connected transaction or continuing connected transaction, as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Connected Transactions and Related Party Transactions" of the Report of the Directors.

## (c) Compensation of key management personnel

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

	<b>For the year ended 31 December 2017 HK\$'000</b>	<b>For the period from 1 April 2016 to 31 December 2016 HK\$'000</b>
Short-term benefits	2,170	483
Post employment benefits	65	7
	<u>2,235</u>	<u>490</u>

## 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:

	<b>2017 HK\$'000</b>	<b>2016 HK\$'000</b>
Cash available on demand	<u>44,507</u>	<u>21,475</u>
	<u>44,507</u>	<u>21,475</u>

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

	Amount due to a director <i>HK\$'000</i>	Amounts due to fellow subsidiaries <i>HK\$'000</i>	Amount due to an intermediate holding company <i>HK\$'000</i>
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 ( <i>Note 22</i> )	–	(4,353)	–
Exchange difference	–	263	–
	<u>–</u>	<u>263</u>	<u>–</u>
Total changes from financing cash flows:	<u>(121)</u>	<u>3,026</u>	<u>–</u>
At 31 December 2017	<u>–</u>	<u>7,206</u>	<u>5,590</u>

### 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 are also denominated in USD and RMB. As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rate. In this regard, the Group does not expose to significant currency risk arising from USD.

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

	Liabilities		Assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
RMB	<u>397</u>	<u>183</u>	<u>42</u>	<u>11</u>

It is estimated that an appreciation or depreciation of 2% (2016: 2%) in RMB against HK\$ at 31 December 2017, with all other variables held constant, would have insignificant effects on the loss or other components of equity of the Group for the year 31 December 2017 and the period ended 31 December 2016.

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

**(ii) Interest rate risk**

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

At 31 December 2017, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the loss for the year and decreased/increased the accumulated losses at the end of reporting period by approximately HK\$106,000 (period ended 31 December 2016: HK\$47,000).

**(iii) Credit risk**

The Group has certain concentration of credit risk on trade and bills receivables as the amounts due from its three (2016: three) customers as at 31 December 2017 amounted to approximately HK\$3,376,000 (2016: HK\$5,598,000) which accounted for approximately 40% (2016: 43%) of the trade and bills receivables.

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

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

**(iv) Liquidity risk**

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

**(v) Fair values**

As at 31 December 2017 and 31 December 2016, the Group has no financial instruments carried at fair value. The directors of the Company consider the fair values of the Group's financial assets and financial liabilities approximate their carrying amounts as at the end of respective reporting periods.

**31. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 23 January 2018, the Company announced that, 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 the joint venture agreement ("JV agreement"), pursuant to which Elite Ascent has agreed to subscribe for 300 shares of 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 subscription of the JV Company's shares by Elite Ascent was completed immediately following the execution of the JV agreement. The JV Company, which is principally engaged in consultation and trading of artworks and the operating of an art gallery in Hong Kong, would be accounted for as a joint venture of the Group.

**32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.

### 3. INDEBTEDNESS

At the close of business on 30 April 2018 being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Composite Document, the details of the Group's indebtedness are as follows:

#### **Borrowings**

As at the close of business on 30 April 2018, the Group had amounts due to fellow subsidiaries of approximately HK\$7,833,000 which is unsecured, interest free and repayable on demand; amount due to an intermediate holding company of approximately HK\$5,590,000 which is unsecured, interest free and repayable on demand; and amount due to a joint venture of approximately HK\$3,003,000 which is unsecured, interest bearing at 6% per annum and repayable on 25 July 2018.

#### **Commitments**

As at the close of business on 30 April 2018, the Group had no material capital commitment.

#### **Pledge of assets**

As at the close of business on 30 April 2018, the Group had no pledge of assets.

#### **Contingent liabilities**

As at the close of business on 30 April 2018, the Group had no material contingent liabilities.

#### **Disclaimer**

Saved as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not, at the close of business on 30 April 2018, have any outstanding loan capital, bank overdrafts, charges or debentures, mortgages, term loans, debt securities or any other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees or other material contingent liabilities.

**4. MATERIAL CHANGE**

Save for the following:

- (i) on 23 January 2018, the Group subscribed for 30% shareholding (the “**Subscription**”) in Eastation Gallery (HK) Limited (“**Eastation**”) for HK\$20 million, a joint venture company which specialises in consultation and trading of artworks and the operating of an art gallery in Hong Kong, on an enlarged capital basis. The Subscription constituted a discloseable transaction on the part of the Company, the details of which were disclosed in the announcement of the Company dated 23 January 2018; and
- (ii) on 31 January 2018, Eastation and Ms. Leung Shuk Ching (“**Ms. Leung**”) who holds 50% equity interest in Eastation, entered into a deed of call option pursuant to which Eastation granted to Ms. Leung the right to acquire certain artworks held by Eastation at the price of HK\$45,933,333, the details of which were disclosed in the announcement of the Company dated 31 January 2018,

the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.



**RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer, the Offeror and the Group.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group, Zhurong Global and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than that expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

**DISCLOSURE OF INTERESTS OF THE OFFEROR**

As at the Latest Practicable Date, the Offeror and parties acting in concert with it held 229,948,000 Shares. The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Xu Hongwei.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned or controlled any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

**DEALING AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS**

- (a) During the period from the commencement of the Relevant Period up to immediately before the completion of the Transfer, save for the rights of Mason Resources Finance under the Finance Documents, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the sole director of the Offeror) holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options, derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. During the period from the completion of the Transfer up to and including the Latest Practicable Date, save for the Sale Shares held by the Offeror, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) holds, owns or has control or discretion over any voting rights or rights over any Shares, convertible securities, warrants, options, derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) During the Relevant Period and as at the Latest Practicable Date, there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror);

- (c) During the Relevant Period and as at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (d) During the Relevant Period and as at the Latest Practicable Date, save and except for the Letter, the Facility Agreement and the Share Charge, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;
- (e) During the Relevant Period and as at the Latest Practicable Date, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (f) During the Relevant Period and as at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) has received any irrevocable commitment to accept or reject the Offer;
- (g) During the Relevant Period and as at the Latest Practicable Date, save for the Facility Agreement and the Share Charge, there is no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (h) During the Relevant Period and as at the Latest Practicable Date, there is no agreement or arrangement which constitutes a special deal under Rule 25 of the Takeovers Code between Zhurong Global, its ultimate owner and parties acting in concert with any of them on one hand and the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) on the other hand; and
- (i) During the Relevant Period and as at the Latest Practicable Date, save for the total consideration for the Sale Shares of HK\$340,874,915, there is no other consideration or benefit in whatever form paid or payable by the Offeror, its ultimate beneficial owner and parties acting in concert with any of them (including the director of the Offeror) to Zhurong Global, its ultimate beneficial owner and parties acting in concert with any of them.

**GENERAL**

As at the Latest Practicable Date:

- (a) there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer; and
- (b) there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

**MARKET PRICES**

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
<b>2017</b>	
30 November 2017	0.88
29 December 2017	0.85
<b>2018</b>	
31 January 2018	0.84
28 February 2018	0.86
29 March 2018	0.90
30 April 2018	0.90
10 May 2018 (Last Trading Day)	1.37
31 May 2018	1.47
Latest Practicable Date	1.48

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$1.49 per Share (on 21 May 2018, 23 May 2018, 24 May 2018, 25 May 2018 and 28 May 2018) and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.74 per Share (on 9 February 2018 and 12 February 2018).

**EXPERTS AND CONSENTS**

The followings are the qualifications of the experts whose letter or opinion is contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
First Shanghai Securities	a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
First Shanghai Capital	a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

Each of First Shanghai Securities and First Shanghai Capital has given and was not withdrawn their written consents to the issue of this Composite Document with the inclusion of the text of its letter or report and/or references to its name in the form and context in which they are respectively included.

**MISCELLANEOUS**

As at the Latest Practicable Date:

- (a) the principal members of the Offeror's concert group are the Offeror and Mr. Xu Hongwei;
- (b) the registered office of the Offeror is at Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands;
- (c) the correspondence address of Mr. Xu Hongwei is c/o Room 901, 9/F, Keen Hung Commercial Building, 80 Queen's Road East, Wan Chai, Hong Kong;
- (d) the registered address of First Shanghai Securities is 19/F and Room 2505-10, Wing On House, 71 Des Voeux Road Central, Hong Kong; and
- (e) the registered address of First Shanghai Capital is 19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong.

**DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (i) at the principal office of the Company at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. (on any weekdays, except public holidays); (ii) on the website of the SFC (<http://www.sfc.hk>); and (iii) on the website of the Company (<http://www.irasia.com/listco/hk/ascent/index.htm>) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from First Shanghai Securities, the text of which is set out on pages 8 to 15 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed “EXPERTS AND CONSENTS” in this appendix.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at 31 December 2017 (being the end of the last financial year of the Company) and the Latest Practicable Date were as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Ordinary Shares	<u>20,000,000</u>
<i>Issued and fully paid share capital:</i>		
<u>382,704,000</u>	Ordinary Shares	<u>3,827,040</u>

Since 31 December 2017 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares had been issued by the Company.

All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting and capital.

The Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations

As at the Latest Practicable Date, none of the Directors nor the 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 SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to Section 352 of the SFO, have been entered in the register referred to

therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, notified to the Company and the Stock Exchange.

**(b) Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or were, 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 a general meeting of the Company:

Name of Shareholder	Nature of Interest	Number of Shares <i>(Note 1)</i>	Appropriate percentage or attributable percentage of shareholding
The Offeror <i>(Note 2)</i>	Beneficial owner	229,948,000 (L)	60.09
Mr. Xu Hongwei ("Mr. Xu") <i>(Note 2)</i>	Interest of controlled corporation	229,948,000 (L)	60.09

*Notes:*

1. The letters "L" and "S" denote a long position and a short position respectively in the Shares.
2. The Offeror is beneficially and wholly owned by Mr. Xu. Therefore Mr. Xu is deemed or taken to be interested in all the Shares held by the Offeror.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the Directors were not aware of any other persons (not being a Director or chief executive of the Company) had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or were, 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 a general meeting of the Company.

#### 4. SHAREHOLDINGS AND DEALINGS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors have any interest in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) (the “**Relevant Securities**”) of the Offeror, and no such person (including the Company) had dealt in the Relevant Securities of the Offeror during the Relevant Period.

#### 5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

None of the Directors held any shares, convertible securities, warrants, options or other derivatives of the Company, and none of the Directors have dealt for value in any Share or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

As at the Latest Practicable Date,

- (a) no Share or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code or by the Independent Financial Adviser or any of its associates (as defined in the Takeovers Code), and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (b) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (c) no person has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt for value in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (d) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer; and
- (e) none of the Company or any of its Directors has borrowed or lent any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives issued by the Company.



**6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS**

As at the Latest Practicable Date,

- (a) save as disclosed in the paragraph headed “7. Service Contracts of Directors” in this Appendix IV, no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) save as disclosed in the paragraph headed “7. Service Contracts of Directors” in this Appendix IV, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) the Offeror had not entered into any material contract in which any Director has a material personal interest.

**7. SERVICE CONTRACTS OF DIRECTORS**

The Company has entered into service agreement and letters of appointment with its executive Director and independent non-executive Directors respectively, details of which are set out below:

	<b>Position</b>	<b>Form of contract</b>	<b>Date of the service agreement/ letter of appointment</b>	<b>Expiry date of the service agreement/ letter of appointment</b>	<b>Fixed monthly remuneration (HK\$)</b>
Ms. Li Wei	Executive Director	Service agreement	15 September 2017	14 September 2020	10,000
Mr. Cheng Shing Hay	Independent non-executive Director	Letter of appointment	15 September 2017	14 September 2020	12,000
Mr. Yau Pak Yue	Independent non-executive Director	Letter of appointment	18 September 2017	17 September 2020	12,000
Mr. Wong Kon Man, Jason	Independent non-executive Director	Letter of appointment	4 October 2017	3 October 2020	12,000

	Position	Form of contract	Date of the service agreement/ letter of appointment	Expiry date of the service agreement/ letter of appointment	Fixed monthly remuneration (HK\$)
Mr. Shen Xiao	Independent non-executive Director	Letter of appointment	18 October 2017	17 October 2020	12,000

Each of the service agreement and the letters of appointment above may be terminated by serving at least nine month's written notice either by the Company or the relevant Director or without notice by agreeing to pay to the other party a sum equals to nine times the monthly fees entitled by the Director at the date of termination. There are no variable remuneration payable under each of the service agreement and the letters of appointment as mentioned above.

In addition to the service agreement entered into between Ms. Li and the Company in relation to her appointment as an executive Director, the Company has also entered into a letter of employment ("**Ms. Li's Letter of Employment**") dated 29 November 2017 with Ms. Li to appoint her as the first person in charge of risks and operations (the "**First Person in Charge of Risks and Operations**") and the chief risk and operating officer (the "**Chief Risk and Operation Officer**") commencing from 11 September 2017 under which she is entitled to a monthly remuneration of HK\$1 inclusive of rental reimbursement (if any) payable in 13 equal monthly installments in arrears on the last working day of each month and the last working day of January in the next year, a target bonus of HK\$1 depending on her performance assessment and any other discretionary bonus and an annual discretionary variable incentive award (the "**Award**") during the term of her employment. In the event that Ms. Li is granted an Award, the amount of the Award shall be determined based on the factors determined by the Company in its absolute discretion, including the performance and profitability of the Company and its affiliates, her division and her department, her individual performance, conduct and contribution and the strategic needs of the Company and its affiliates. The decision on whether to grant any Award, the amount, the form and the date of payment of the Award remains entirely at the discretion of the Company. The form of Award may include a cash payment and/or a deferred award in the form of cash or another instrument, subject to the discretion of the Company.

Ms. Li's Letter of Employment may be terminated by serving three month's written notice either by the Company or Ms. Li or by making payment to the other party in lieu of all or part of such notice in accordance with Hong Kong laws. Pursuant to Ms. Li's Letter of Employment, in the event that the Company gives notice in writing to Ms. Li to terminate her employment (other than a termination of her employment for cause in accordance with Hong Kong laws) within the period of 12 calendar months following a change of control of the Company, the Company will pay Ms. Li an additional amount as a result of such termination within five days thereof, which is equal to the amount of her six months' salary (monthly salary equal to the sum of monthly basic and target salary), excluding the payment in the three-month termination notice period or payment in lieu mentioned above.

The Company has then entered into a letter of adjustment (“**Ms. Li’s Adjustment Letter**”) dated 25 April 2018 with Ms. Li to amend certain terms of Mr. Li’s Letter of Employment. Pursuant to Ms. Li’s Adjustment Letter, the monthly remuneration of Ms. Li being the First Person in Charge of Risk and Operations and the Chief Risk and Operation Officer is adjusted to HK\$180,000 inclusive of rental reimbursement payable in 13 equal monthly installments during the term of her employment payable on the last working day of each month and the last working day of January in the next year and she is entitled to a target bonus of HK\$1,000,000 per year depending on her performance assessment and any other discretionary bonus with effect from 1 April 2018. Save as the adjustment above, other terms in Ms. Li’s Letter of Employment remain valid and unchanged.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

- (i) (including both continuous and fixed term contracts) has been entered into or amended within six months before the commencement of the Offer Period;
- (ii) is continuous contracts with a notice period of 12 months or more; and
- (iii) is a fixed term contracts with more than 12 months to run irrespective of the notice period.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date which are or may be material:

- (a) the framework property management services agreement (the “**Framework Property Management Services Agreement**”) dated 28 March 2017 (as amended and supplemented by a supplemental agreement dated 19 May 2017) entered into between 中弘控股股份有限公司 (Zhonghong Holding Co., Limited\*) (“**Zhonghong**”) and 中璽物業管理有限公司 (Zhongxi Property Management Company Limited\*) (“**Zhongxi**”) (an indirect wholly-owned subsidiary of the Company) in relation to the provision of property management services from 1 January 2017 to 30 June 2017 subject to an annual cap for the transactions contemplated thereunder of RMB8,800,000 (equivalent to approximately HK\$9,900,000) for the year ended 31 December 2017;
- (b) the supplemental agreement (the “**Supplemental Agreement**”) dated 19 May 2017 entered into between Zhonghong and Zhongxi to make certain amendments to the Framework Property Management Services Agreement; pursuant to the Supplemental Agreement, the term of the Framework Property Management Services Agreement shall be from 1 January 2017 to 31 December 2018, subject to revised annual caps for the transactions contemplated thereunder of RMB19,000,000 (equivalent to

\* for identification purpose only

approximately HK\$21,850,000) and RMB22,600,000 (equivalent to approximately HK\$25,900,000) for the year ended 31 December 2017 and 31 December 2018 respectively;

- (c) the termination agreement dated 4 September 2017 entered into between Zhonghong and Zhongxi in relation to the termination of the Framework Property Management Services Agreement;
- (d) the subscription agreement dated 8 November 2017 entered into between the Company and Fang Chengyu in relation to the subscription of 34,800,000 new Shares to be allotted and issued to Fang Chengyu at the subscription price of HK\$0.705 per subscription share;
- (e) the joint venture agreement dated 23 January 2018 entered into among Ms. Leung Shuk Ching (“**Ms. Leung**”), Elite Ascent Investments Limited (a direct wholly-owned subsidiary of the Company), Jubilee Ventures International Limited and Eastation Gallery (HK) Limited (the “**JV Company**”) in relation to the subscription of 489, 300 and 200 shares of the JV Company by Ms. Leung, Elite Ascent Investments Limited, Jubilee Ventures International Limited respectively at the total subscription price of HK\$32,600,000, HK\$20,000,000 and HK\$13,333,333 respectively; and
- (f) a deed of call option (the “**Call Option Deed**”) dated 31 January 2018 entered into between the JV Company and Ms. Leung, 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 consideration of HK\$45,933,333 at the sole discretion of Ms. Leung during the period from the date of the Call Option Deed up to and including 31 December 2018.

## 9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert whose letter, opinion or advice is contained or referred to in this Composite Document:

Name	Qualification
Grand Moore	a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Grand Moore has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Grand Moore did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Grand Moore did not have any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 11. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this Composite Offer Document shall prevail over the Chinese text.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal office of the Company at Suite 510, Chater House, 8 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. (on any weekdays, except public holidays); (ii) on the website of the SFC (<http://www.sfc.hk>); and (iii) on the website of the Company (<http://www.irasia.com/listco/hk/ascent/index.htm>) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the year ended 31 December 2017, the nine months ended 31 December 2016 and the year ended 31 March 2016;
- (c) the letter from the Board, the text of which is set out on pages 16 to 20 of this Composite Document;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this Composite Document;

- (e) the letter from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out on pages 23 to 40 of this Composite Document;
- (f) the service agreement, letters of appointment, Ms. Li's Letter of Employment and Ms. Li's Adjustment Letter referred to under the paragraph headed "7. Service Contracts of Directors" in this Appendix IV;
- (g) the written consent referred to under the paragraph headed "10. Qualification and consent of expert" in this Appendix IV; and
- (h) the material contracts referred to under the paragraph headed "8. Material contracts" in this Appendix IV.