

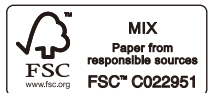


ASCENT

INTERNATIONAL HOLDINGS LIMITED
ANNUAL REPORT

2016

(Incorporated in the Cayman Islands with limited liability)





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu David Hang (Chairman and Chief Executive Officer) (Appointed on 23 December 2015)
Hou Jian (Appointed on 23 December 2015)
Lee Wing Yin (Chief Executive Officer) (Appointed on 21 September 2015 and resigned on 23 December 2015)
Ngan Man Ho (Appointed on 21 September 2015 and resigned on 23 December 2015)
Chan King Hong Edwin (Chairman and Chief Executive Officer) (Resigned on 21 September 2015)
Chan King Yuen Stanley (Vice Chairman) (Resigned on 21 September 2015)
Chan Wai Po Rebecca (Resigned on 21 September 2015)

Independent Non-executive Directors

Wong Yik Chung John (Appointed on 23 December 2015)
Ernst Rudolf Zimmermann (Appointed on 23 December 2015)
Ng Man Fai Matthew (Appointed on 23 December 2015)
Lung Hung Cheuk (Appointed on 21 September 2015 and resigned on 23 December 2015)
Leung Ka Tin (Appointed on 21 September 2015 and resigned on 23 December 2015)
Li Wai Ming (Appointed on 21 September 2015 and resigned on 23 December 2015)
Chau Cynthia Sin Ha (Resigned on 21 September 2015)
Fong Pui Sheung David (Resigned on 21 September 2015)
Or Kam Chung Janson (Resigned on 21 September 2015)

COMPANY SECRETARY

Chu Kin Ming (Appointed on 29 February 2016)
Leung Pui Ki (Appointed on 23 December 2015 and resigned on 29 February 2016)
Lee Wing Yin (Appointed on 21 September 2015 and resigned on 23 December 2015)
Lee Man Tai (Appointed on 15 April 2015 and resigned on 21 September 2015)
Lau Wai Hung (Resigned on 15 April 2015)

AUDIT COMMITTEE

Ng Man Fai Matthew (Committee Chairman) (Appointed on 23 December 2015)
Wong Yik Chung John (Appointed on 23 December 2015)
Ernst Rudolf Zimmermann (Appointed on 23 December 2015)
Li Wai Ming (Committee Chairman) (Appointed on 21 September 2015 and resigned on 23 December 2015)
Lung Hung Cheuk (Appointed on 21 September 2015 and resigned on 23 December 2015)
Leung Ka Tin (Appointed on 21 September 2015 and resigned on 23 December 2015)
Fong Pui Sheung David (Committee Chairman) (Resigned on 21 September 2015)
Chau Cynthia Sin Ha (Resigned on 21 September 2015)
Or Kam Chung Janson (Resigned on 21 September 2015)

REMUNERATION COMMITTEE

Wong Yik Chung John (Committee Chairman) (Appointed on 23 December 2015)
Ernst Rudolf Zimmermann (Appointed on 23 December 2015)
Ng Man Fai Matthew (Appointed on 23 December 2015)
Wu David Hang (Appointed on 23 December 2015)
Lung Hung Cheuk (Committee Chairman) (Appointed on 21 September 2015 and resigned on 23 December 2015)
Leung Ka Tin (Appointed on 21 September 2015 and resigned on 23 December 2015)
Li Wai Ming (Appointed on 21 September 2015 and resigned on 23 December 2015)
Or Kam Chung Janson (Committee Chairman) (Resigned on 21 September 2015)
Fong Pui Sheung David (Resigned on 21 September 2015)
Chau Cynthia Sin Ha (Resigned on 21 September 2015)

CORPORATE INFORMATION

NOMINATION COMMITTEE

Wu David Hang (*Committee Chairman*) (*Appointed on 23 December 2015*)

Wong Yik Chung John (*Appointed on 23 December 2015*)

Ernst Rudolf Zimmermann (*Appointed on 23 December 2015*)

Ng Man Fai Matthew (*Appointed on 23 December 2015*)

Leung Ka Tin (*Committee Chairman*) (*Appointed on 21 September 2015 and resigned on 23 December 2015*)

Lung Hung Cheuk (*Appointed on 21 September 2015 and resigned on 23 December 2015*)

Li Wai Ming (*Appointed on 21 September 2015 and resigned on 23 December 2015*)

Chau Cynthia Sin Ha (*Committee Chairlady*) (*Resigned on 21 September 2015*)

Fong Pui Sheung David (*Resigned on 21 September 2015*)

Or Kam Chung Janson (*Resigned on 21 September 2015*)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

LEGAL ADVISER ON HONG KONG LAW

Michael Li & Co.

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

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

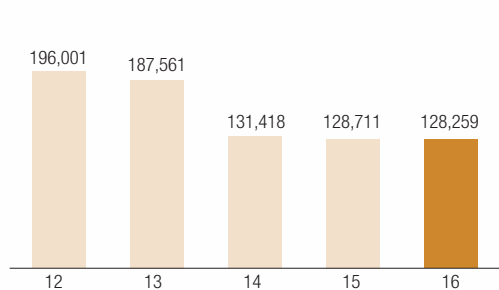
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FINANCIAL HIGHLIGHTS

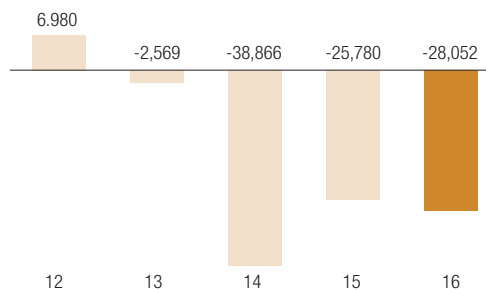
REVENUE

(HK\$'000)



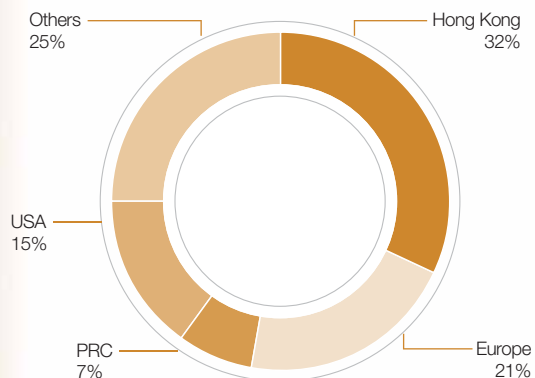
NET PROFIT/(LOSS)

(HK\$'000)

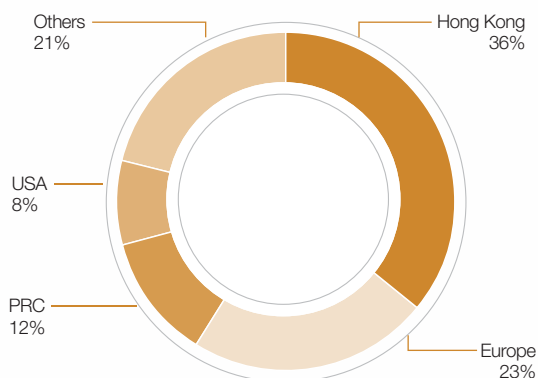


REVENUE BY GEOGRAPHICAL SEGMENT

Financial Year 2016

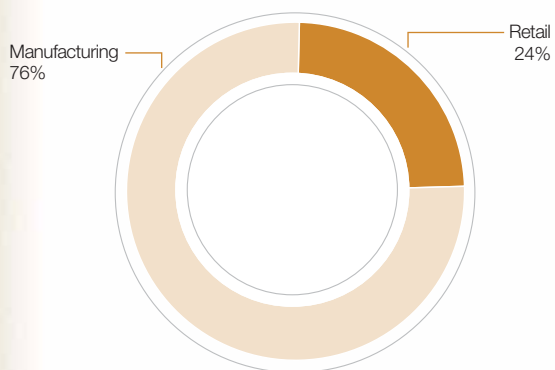


Financial Year 2015

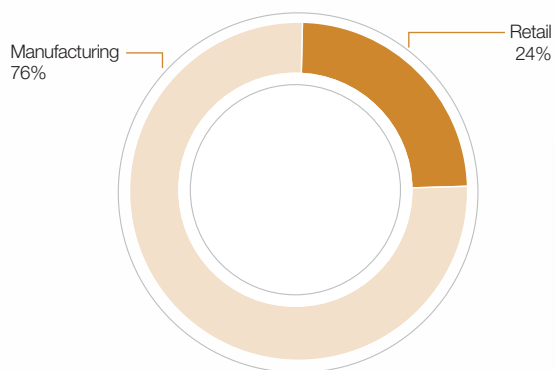


REVENUE BY BUSINESS SEGMENT

Financial Year 2016



Financial Year 2015



FINANCIAL HIGHLIGHTS

	2016 HK\$'000	2015 HK\$'000
Operating results		
Revenue	128,259	128,711
Gross profit	31,669	22,807
Loss before income tax expense	(26,231)	(25,230)
Loss for the year	(28,052)	(25,780)
Business performance ratios		
Gross profit margin	24.7%	17.7%
Net profit margin	N/A	N/A
Return on shareholders' equity	N/A	N/A
Current ratio	4.07	10.94
Quick ratio	1.87	8.58
Share data (as at year end date)		
Shares in issue ('000)	347,904	318,804
Shares closing price	HK\$1.28	HK\$0.80
Market capitalization (HK\$'000)	445,317	255,043
Basic loss per share	(HK8.31 cents)	(HK8.09 cents)
Interim dividend per share	Nil	Nil
Final dividend per share	Nil	Nil
Net asset value per share	HK\$0.18	HK\$0.71
Price-to-book value ratio	7.11	1.13

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Ascent International Holdings Limited (previously known as Chanco International Group Limited, the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 March 2016.

FINANCIAL PERFORMANCE

The Group has recorded a revenue of HK\$128,259,000 (2015: HK\$128,711,000), which was comparable to the last reporting year, representing a year-on-year decrease of 0.4% or approximately HK\$452,000. Revenue contributed from manufacturing and retail business segments was approximately HK\$96,877,000 and HK\$31,382,000. Gross profit was approximately HK\$31,669,000. There was an impressive improvement of gross profit margin from approximately 17.7% to approximately 24.7%. The increase was mainly due to the improvement in gross profit margin from the manufacturing business segment with better cost control.

Other income and gains amounted to approximately HK\$3,801,000, down from HK\$5,401,000 in last reporting year. The decrease is mainly attributable to the combined effect of reduction of bank interest income and increase in gain on disposal of available-for-sale investments.

Selling and distribution costs increased by approximately HK\$4,738,000 to HK\$28,593,000 for the financial year ended 31 March 2016 (2015: HK\$23,855,000). The increase was mainly attributable to the rental expense, salaries and depreciation on leasehold improvement for the retail business segment. Administrative and other operating expenses increased by approximately HK\$1,865,000. The increase was mainly due to the enlargement in exchange loss due to the depreciation of Renminbi ("RMB") during the year ended 31 March 2016. The impairment loss on property, plant and equipment amounted to HK\$1,660,000 for the year ended 31 March 2016 (2015: nil) arising from the unsatisfactory performance of the retail outlets of the Group.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$28,052,000 for the year ended 31 March 2016 (2015: approximately HK\$25,780,000). Loss per share for the year ended 31 March 2016 was HK8.31 cents (2015: HK8.09 cents).

BUSINESS REVIEW

During the year ended 31 March 2016, the manufacturing and retail business segments accounted for 76% (2015: 76%) and 24% (2015: 24%) of the Group's total revenue respectively.

Manufacturing business

For the year ended 31 March 2016, the revenue of manufacturing business segment from external customers was approximately HK\$96,877,000, which is comparable to HK\$97,199,000 to last report year ended 31 March 2015. There was a further decline in demand from Europe and Hong Kong market, however, the US market performed healthy to offset the decline.

Geographically, sales to Europe decreased by approximately 8.5% from approximately HK\$30,131,000 for the year ended 31 March 2015 to approximately HK\$27,573,000 for the corresponding period in 2016. Sales to Hong Kong reduced by approximately 37.4% from approximately HK\$14,461,000 for the year ended 31 March 2015 to approximately HK\$9,055,000 for the corresponding period in 2016. Sales to the US increased by approximately 78.1% from approximately HK\$10,469,000 for the corresponding period in 2015 to approximately HK\$18,650,000. Sales in PRC market reduced by approximately 39.2% from approximately HK\$15,692,000 for the corresponding period in 2015 to approximately HK\$9,541,000. Apart from these major markets, sales to other countries such as Japan, Australia, Canada, India etc. increased from approximately HK\$26,446,000 for the corresponding period in 2015 to approximately HK\$32,058,000.

CHAIRMAN'S STATEMENT

In respect of product category, sales of belts increased by approximately HK\$5,658,000 to approximately HK\$83,961,000 (2015: approximately HK\$78,303,000), representing an increase of 7.2%. The sales of leather goods and other accessories reduced by approximately HK\$5,980,000 to approximately HK\$12,916,000 (2015: approximately HK\$18,896,000). In the reporting year, the Group endeavored to reduce the inventory level of raw materials in particular to consume the slow-moving cowhide leathers. As a result of the hindered operating environment and continuous effort, the Group's manufacturing business segment recorded a reduction of operating loss of approximately HK\$9,439,000 from HK\$25,949,000 in the corresponding period in 2015 to HK\$16,510,000.

Retail Business

The Group's revenue from its retail business performed stably at approximately HK\$31,382,000 for the year ended 31 March 2016 (2015: HK\$31,512,000). Hong Kong retail sales growth remains steady in the past year. Market competition intensified in general. Fashion retailers intend to offer earlier and larger sales discounts during the period of change of season. In the year ended 31 March 2016, the Group's in-house brand sales increased mildly on the ground that the Group altered the product mix by focusing on the sales of fashioned bags with high quality and creative design. The Group's in-house brand sales – "Urban Stranger", increased from approximately 80.7% of total retail sales for the corresponding period in 2015 to approximately 93.8% in 2016. Gross profit margin slightly increased to approximately 68.7% (2015: 67.5%) which was due to increase in sales of in-house brand which has relatively thicker profit margin.

The overall shop rental to revenue ratio increased from 36.2% to 40.3% during the year ended 31 March 2016. The staff cost to revenue ratio also increased from 21.8% to 26.9%.

As a result of the adverse retail market condition, high rental and staff cost, the retail business segment incurred a loss of approximately HK\$6,627,000 as compared to approximately HK\$3,208,000 for the corresponding year in 2015. During the year, the Group opened five new stores in Causeway Bay, Tsim Sha Tsui, Sham Shui Po, Tai Po and Yuen Long. As at 31 March 2016, the Group operated nine (2015: five) AREA 0264 stores and one (2015: Nil) Teepee Leather Workshop in Hong Kong.

CHANGE OF CONTROLLING SHAREHOLDERS

On 14 July 2015, the former substantial shareholders of the Company, including Leopark Worldwide Inc., New Paramount Profits Limited, Prevail Assets Limited and Smarty Worldwide Limited (collectively the "Vendors"), had entered into the sales and purchase agreement (the "S&P Agreement 1") with Green Parade Limited ("Green Parade"), a company incorporated in the British Virgin Islands (the "BVI") and wholly-owned by Mr. Pong Wilson Wai San. Pursuant to the S&P Agreement 1, Green Parade has conditionally agreed to acquire and the Vendors have conditionally agreed to sell 226,140,000 existing issued shares of the Company. Upon completion of the S&P Agreement 1 on 7 September 2015, Green Parade held 65.11% of equity interests in the Company and became the Company's controlling shareholder.

On 30 October 2015, Green Parade entered into the unconditional sales and purchase agreement (the "S&P Agreement 2") with Zhurong Global Limited ("Zhurong"), a company incorporated in the BVI. Zhurong is indirectly wholly owned by Zhonghong Holding Co., Ltd. ("Zhonghong"), a company established in the People's Republic of China (the "PRC") with its shares being first listed on the Shenzhen Stock Exchange in 2010 (stock code: 000979). Mr. Wang Yonghong ("Mr. Wang"), through one of his wholly-owned companies, Zhonghong Zhuoye Group Company Limited, is the controlling shareholder of Zhonghong and held approximately 34.51% and 26.55% of the issued shares of Zhonghong on 30 October 2015 and the date of this Annual Report, respectively. Pursuant to the S&P Agreement 2, Zhurong has agreed to acquire and Green Parade has agreed to sell 229,948,000 existing issued shares of the Company, representing approximately 66.10% equity interest in the Company. Upon completion of the S&P Agreement 2 on 2 November 2015, Zhurong holds 66.10% of equity interests in the Company and has become the Company's controlling shareholder.

CHAIRMAN'S STATEMENT

Zhonghong is principally engaged in cultural and recreation projects in the PRC. It is the intention of Zhurong and Zhonghong to continue with the Group's existing principal businesses, and they have no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group.

PROSPECTS

Looking ahead, the macro economy continues to shrink and shall be difficult to recover in the near future. The manufacturing business of the Group is expected to remain sluggish. The Group responded to the challenging situation by continuously exploring potential customers and endeavoring to further streamline the manufacturing process for the improvement of operational efficiencies.

Owing to the decelerated rate of growth in the Chinese economy, inadequate local market demand and the fierce competition of the retail business in Hong Kong, the turnaround time of the Group's retail business is expected to be slow. Nevertheless, the Group opened five new stores during the year ended 31 March 2016, with one of them being the Group's first leather workshop in Sham Shui Po. The Group will continue to maintain its operational steadiness for cubing the loss and alleviating operational pressure to enhance the market resilience of the Company.

After Zhonghong and Zhurong became the controlling shareholders of the Company in November 2015, the Company intends to develop brand management business, which will provide property management services for a range of recreational properties, including hotels, resorts and theme parks under brands which the brand management company will establish, develop and manage as it develops its property management businesses for such properties, and thereby procure more rewarding return to our shareholders.

APPRECIATION

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

Wu David Hang
Chairman

Hong Kong, 30 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2016 the Group's cash and bank deposits were approximately HK\$24,008,000 as compared to approximately HK\$161,434,000 as at 31 March 2015.

The Group recorded total current assets of approximately HK\$74,874,000 (2015: approximately HK\$234,999,000) and total current liabilities of approximately HK\$18,380,000 (2015: approximately HK\$21,480,000). The decrease of total current assets was mainly due to the decrease in cash and bank deposits as a result of the operating loss and special interim dividend paid in the reporting year. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 4 times as at 31 March 2016 (2015: 11 times).

In view of its strong financial position and liquidity, the Group did not raise any bank loan during the year. The Group recorded shareholders' funds of approximately HK\$62,165,000 (2015: approximately HK\$226,356,000). The decrease was mainly attributable to operating loss and special interim dividend paid in the reporting year.

TREASURY POLICY

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

DIVIDEND

The Board declared a special interim dividend of HK\$0.4254 per share on 28 July 2015 to shareholders of the Company. The special interim dividend was paid on 31 August 2015.

In view of the losses incurred during the year, the Board does not recommend any payment of interim or final dividends for the year ended 31 March 2016.

CHARGES ON ASSETS

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

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal for the year ended 31 March 2016.

HUMAN RESOURCES

As at 31 March 2016, the Group had approximately 88 employees in Hong Kong and approximately 398 workers in the PRC. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2016 and 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu David Hang, aged 53, has been appointed as an executive Director, chairman of the Board, chief executive officer and authorized representative of the Company on 23 December 2015. He is a vice president of overseas business development of 中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited*), which holds 26.55% of the issued shares of 中弘控股股份有限公司 (Zhonghong Holding Co., Ltd.) (“Zhonghong”), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000979). Prior to this, he was a senior investment banker, with a focus on cross-border transactions in Asia markets, especially in China market for many years. From 1996 to 2004, Mr. Wu served as a vice president of the Corporate Finance and Investment Banking group at Citigroup. From 2004 to 2007, Mr. Wu worked as a principal at Marco Polo Partners in New York. From 2007 to 2009, he worked at China Power Development Corp. New York, a renewable energy development firm, as one of the founding members. From 2009 to 2015, Mr. Wu served as a managing director of Herakles Capital International, a New York based investment banking firm. Mr. Wu obtained his Master of Business Administration degree from University of District of Columbia, USA and his Bachelor of Science degree from University of Electronic Science and Technology of China. He is currently an executive director, chairman of the board of directors, chief executive officer and authorized representative of KEE Holdings Company Limited (“KEE”), a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 2011) and 75%-owned by Zhonghong.

Mr. Hou Jian, aged 29, has been appointed as an executive Director and authorized representative of the Company on 23 December 2015. He graduated from Inner Mongolia Finance and Economics College with a bachelor of arts degree in public affairs administration. He served as an accounting clerk at 北京中弘投資有限公司 (Beijing Zhonghong Investment Company Limited*), a wholly-owned subsidiary of Zhonghong from October 2009 to March 2010. He served as an accountant for Zhonghong from March 2010 to May 2011 and a fund manager for Zhonghong from June 2011 to February 2015. Since 5 February 2015, he has been serving as a senior fund manager for Zhonghong. He is currently an executive director and authorized representative of KEE.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Yik Chung John, aged 49, has been appointed as an independent non-executive Director on 23 December 2015. He graduated from the University of Melbourne in 1991 with a bachelor’s degree in economics (majoring in economics and securities law). Mr. Wong is a member of The Australian Society of Certified Practising Accountants (CPA Australia) and a member of the Hong Kong Institute of Certified Public Accountants. He has worked in several international accountant firms for around 10 years since his graduation, namely PricewaterhouseCoopers (Hong Kong) in 1992, Arthur Anderson (Hong Kong and Shanghai) from 1993 to 1995, PricewaterhouseCoopers (Beijing) from 1995 to 1996, Ernst & Young (Hong Kong) from 1996 to 1998 and Deloitte from 2000 to 2003. He specialises in listing audits (primarily for companies in mainland China seeking to be listed overseas) and financial advisory business for listed companies, including mergers and acquisitions and restructuring. He founded a finance and IT subcontracting company in 2003, and disposed of such business to TMF Group, a leading service subcontracting consortium in Europe, in 2008. Subsequently, he also founded several fund management companies including 顯德投資管理有限公司 (Vantage Capital Ltd.). In 2015, he left the position of managing partner, and served as a company consultant of Vantage Capital Ltd., focusing on risks control and corporate strategies. Over the past three years, he served as directors for the following companies listed on (i) the Shenzhen Stock Exchange, namely Western Securities Co., Ltd. (stock code: 2673), and (ii) the Main Board of the Stock Exchange or the Growth Enterprise Market of the Stock Exchange, namely EcoGreen International Group Limited (stock code: 2341), Biosino Bio-Technology and Science Incorporation (stock code: 8247), Perfect Optronics Limited (stock code: 8311), Long Ji Tai He Holding Limited (stock code: 1281), Golden Resources Development International Limited (stock code: 677) and Beijing North Star Company Limited (stock code: 588). He is currently serving as independent non-executive directors for the following companies which are listed on the Hong Kong Stock Exchange, namely EcoGreen International Group Limited (stock code: 2341), Perfect Optronics Limited (stock code: 8311), Long Ji Tai He Holding Limited (stock code: 1281), Beijing Capital Land Ltd. (stock code: 2868) and KEE.

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ernst Rudolf Zimmermann, aged 67, has been appointed as an independent non-executive Director on 23 December 2015. He has more than 40 years of business experience in the international hospitality industry, especially in the Greater China region. Mr. Zimmermann is currently the president and chief executive officer of AVA Hospitality, a hotel management services company providing specialized China-related hospitality management and consultancy services and giving independent professional advice on design brief on hotel component to hotel investors and operators. Mr. Zimmermann now serves as the senior vice president of Swiss-Belhotel International, an international hotel management company offering unique fusion of Swiss hospitality management in all aspects of the hotel, serviced apartments and club. He is also an associate of Global Strategic Associates, LLC, an independent, privately-owned international advisory firm in New York, the United States of America. Mr. Zimmermann is currently an independent non-executive director of Forebase International Holdings Limited, which is listed on the Stock Exchange (stock code: 2310). Mr. Zimmermann started his hospitality career first in Stadl-Paura, Austria in 1962 and received hospitality training in Gmunden, Austria. Before relocating to Hong Kong as a restaurant manager in Furama Hotel in 1974, he worked in a number of food and beverage positions across various Western Europe countries, including England, Switzerland, Italy, Bermuda and so on. Mr. Zimmermann continued his hotel business in the Holiday Inn Group (now known as InterContinental Hotels Group) for subsequent years in senior managerial and executive positions for the development of the hotel chain throughout the Asia Pacific region, including, Hong Kong, Thailand and the PRC; and later on, with extensive years of experience in the hospitality field, Mr. Zimmermann established his own hotel management business, namely, Zenith Hotels International Limited, providing hotel management services and technical assistance to hotel owners, developing more than 20 hotel properties throughout the PRC and South-East Asia. More recently, Mr. Zimmermann served as the vice president within the ACCOR Hotel Group China to re-position new Sofitel Luxury Hotel in the PRC; and being the senior vice president in the New World Hotels Group to help promote its new hotel brand in the PRC. In previous years, Mr. Zimmermann also held consultative positions in certain companies in the PRC and Hong Kong.

Mr. Ng Man Fai, Matthew, aged 48, has been appointed as an independent non-executive Director on 23 December 2015. He is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a provisional member of the Institute of Certified Public Accountants of Singapore. He is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and an associate member/certified tax adviser of The Taxation Institute of Hong Kong. Mr. Ng holds a Master of Accountancy from Charles Sturt University, Australia, and a Bachelor of Business Administration from the University of East Asia, Macau. Mr. Ng has over 25 years working experience in audit and accounting, gained from international firms and companies listed on the Stock Exchange. From 2012 to 2015, he served as an independent non-executive director of China Investment Fund Company Limited, which is listed on the Stock Exchange (stock code: 612). He is currently a deputy financial controller of Burwill Holdings Limited, which is listed on the Stock Exchange (stock code: 24).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chan King Hong Edwin, aged 57, is the former executive Director, and is currently the chief executive officer of the leather goods manufacturing and retail division of Company who found the Group in around 1980. Mr. Chan is responsible for the development of corporate strategies, overseas sales and marketing strategic planning and overall management of the leather goods manufacturing and retail division of the Group. He has over 30 years of experience in the manufacturing and sales of leather goods, corporate management and strategic planning. Mr. Chan graduated from the University of Toronto in Canada with a bachelor's degree in arts in 1980.

Mr. Chu Kin Ming, aged 35, has been appointed as the financial controller and the company secretary of the Company on 29 February 2016. He is a fellow member of The Association of Chartered Certified Accountants. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, the Chartered Institute of Management Accountants and an associate member/certified tax adviser of The Taxation Institute of Hong Kong. Mr. Chu holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University and he has extensive experiences in the field of accounting and financial management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

The Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 March 2016 except for the deviations from the Code Provisions A.1.8, A.2.1 and A.2.2 to A.2.9 in respect of the arrangement of insurance cover of legal action against Directors, the separation of roles of the chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer") and the functions of the Chairman respectively. Further details are disclosed in the sections headed "Directors' insurance cover of legal action" and "Chairman and Chief Executive Officer".

DIRECTOR'S SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

The Board currently consists of 2 executive Directors and 3 independent non-executive Directors. Their brief biographical details are set out in the section headed "Biographical details of Directors and senior management" on pages 10 to 12 of this Annual Report. Save for the business relationship between Mr. Wu David Hang and Mr. Hou Jian as disclosed in the section headed "Biographical details of Directors and senior management" on page 10 of this Annual Report, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

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

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2016, 7 Board meetings were held by the Company. The individual attendance record of each Director at the meetings of the Board and annual general meeting of the Company during the year ended 31 March 2016 is as follows:

	Number of Board meetings attended/ eligible to attend	Annual general meeting attended
Executive Directors		
Mr. Wu David Hang (<i>Chairman and Chief Executive Officer</i>) (<i>appointed on 23 December 2015</i>)	1/1	0/0
Mr. Hou Jian (<i>appointed on 23 December 2015</i>)	1/1	0/0
Mr. Lee Wing Yin (<i>Chief Executive Officer</i>) (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	2/2	0/0
Mr. Ngan Man Ho (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	2/2	0/0
Mr. Chan King Hong Edwin (<i>Chairman and Chief Executive Officer</i>) (<i>resigned on 21 September 2015</i>)	4/4	1/1
Mr. Chan King Yuen Stanley (<i>resigned on 21 September 2015</i>)	4/4	1/1
Ms. Chan Wai Po Rebecca (<i>resigned on 21 September 2015</i>)	4/4	1/1
Independent Non-executive Directors		
Mr. Wong Yik Chung John (<i>appointed on 23 December 2015</i>)	1/1	0/0
Mr. Ernst Rudolf Zimmermann (<i>appointed on 23 December 2015</i>)	1/1	0/0
Mr. Ng Man Fai Matthew (<i>appointed on 23 December 2015</i>)	1/1	0/0
Mr. Lung Hung Cheuk (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	1/2	0/0
Mr. Leung Ka Tin (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	1/2	0/0
Mr. Li Wai Ming (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	1/4	0/0
Mr. Fong Pui Sheung David (<i>resigned on 21 September 2015</i>)	3/4	1/1
Ms. Chau Cynthia Sin Ha (<i>resigned on 21 September 2015</i>)	4/4	1/1
Mr. Or Kam Chung Janson (<i>resigned on 21 September 2015</i>)	2/4	1/1

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

DIRECTORS' INSURANCE COVER OF LEGAL ACTION

Under the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its directors. During the year ended 31 March 2016, the Board decided that it was not necessary to arrange insurance cover to the Directors because Directors had always been prudent in making business decision for the Company and so the legal risk to the Directors was quite low.

CORPORATE GOVERNANCE REPORT

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2016, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/ Read Materials
Executive Directors	
Mr. Wu David Hang (<i>Chairman and Chief Executive Officer</i>) (<i>appointed on 23 December 2015</i>)	✓
Mr. Hou Jian (<i>appointed on 23 December 2015</i>)	✓
Mr. Lee Wing Yin (<i>Chief Executive Officer</i>) (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	N/A
Mr. Ngan Man Ho (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	N/A
Mr. Chan King Hong Edwin (<i>resigned on 21 September 2015</i>)	N/A
Mr. Chan King Yuen Stanley (<i>resigned on 21 September 2015</i>)	N/A
Ms. Chan Wai Po Rebecca (<i>resigned on 21 September 2015</i>)	N/A
Independent Non-executive Directors	
Mr. Wong Yik Chung John (<i>appointed on 23 December 2015</i>)	✓
Mr. Ernst Rudolf Zimmermann (<i>appointed on 23 December 2015</i>)	✓
Mr. Ng Man Fai Matthew (<i>appointed on 23 December 2015</i>)	✓
Mr. Lung Hung Cheuk (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	N/A
Mr. Leung Ka Tin (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	N/A
Mr. Li Wai Ming (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	N/A
Mr. Fong Pui Sheung David (<i>resigned on 21 September 2015</i>)	N/A
Ms. Chau Cynthia Sin Ha (<i>resigned on 21 September 2015</i>)	N/A
Mr. Or Kam Chung Janson (<i>resigned on 21 September 2015</i>)	N/A

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. For the year ended 31 March 2016, the roles of the Chairman and Chief Executive Officer were performed by Mr. Chan King Hong Edwin from 1 April 2015 to 21 September 2015, and have been performed by Mr. Wu David Hang since 23 December 2015. The Board is of the view that given the small size of the existing management team, either Mr. Chan King Hong Edwin or Mr. Wu David Hang has considerable experience in business development and the Board believes that the current structure will enable us to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group. During the year ended 31 March 2016, there have been changes of the Chairman and Chief Executive Officer as follows:

- Mr. Chan King Hong Edwin resigned as the Chairman and Chief Executive Officer on 21 September 2015
- Mr. Lee Wing Yin was appointed as the Chief Executive Officer on 21 September 2015 and resigned as the Chief Executive Officer on 23 December 2015
- For the period from 21 September 2015 to 23 December 2015, there was no Chairman
- Mr. Wu David Hang was appointed as the Chairman and Chief Executive Officer on 23 December 2015

The Company did not appoint any individual to take up the post of the Chairman of the Company following the resignation of Mr. Chan King Hong Edwin as the Chairman and Chief Executive Officer on 21 September 2015. Accordingly, the Company has not been in strict compliance with the Code Provisions A.2.2 to A.2.9, though the functions of the Chairman during the period have been performed by the executive Directors or the company secretary of the Company (as the case may be). The Company re-complied with the Code Provisions A.2.2 to A.2.9 after Mr. Wu David Hang was appointed as the Chairman and Chief Executive Officer on 23 December 2015.

OTHER COMMITTEES

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2016, 2 audit committee meetings were held by the Company. Individual attendance of each committee member at the meetings is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Mr. Ng Man Fai Matthew (<i>Committee Chairman</i>) (<i>appointed on 23 December 2015</i>)	0/0
Mr. Wong Yik Chung John (<i>appointed on 23 December 2015</i>)	0/0
Mr. Ernst Rudolf Zimmermann (<i>appointed on 23 December 2015</i>)	0/0
Mr. Lung Hung Cheuk (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	1/1
Mr. Leung Ka Tin (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	1/1
Mr. Li Wai Ming (<i>Committee Chairman</i>) (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	1/1
Mr. Fong Pui Sheung David (<i>Committee Chairman</i>) (<i>resigned on 21 September 2015</i>)	1/1
Ms. Chau Cynthia Sin Ha (<i>resigned on 21 September 2015</i>)	1/1
Mr. Or Kam Chung Janson (<i>resigned on 21 September 2015</i>)	1/1

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

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to review and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to monitor the integrity of the Company's financial statements and the annual report and accounts and half-year report and, if prepare for publication, quarterly reports and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts of the Company before submission to the Board, the Audit Committee shall focus particularly on:
 - any changes in financial reporting and accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules, the Applicable Rules and legal requirements in relation to financial reporting.

CORPORATE GOVERNANCE REPORT

- to liaise with the Board and senior management and meet at least twice a year, with external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual report and accounts and half-year report, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor of the Company;
- to review the financial controls, internal control and risk management systems of the Company;
- to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- to review the group's financial and accounting policies and practices;
- to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;
- to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;
- to review arrangements for employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- to act as the key representative body for overseeing the Company's relations with external auditor.

During the year under review, the Audit Committee has reviewed with the Group's management the principles and practices adopted by the Group, discussed internal control and financial reporting matters, including a review of the unaudited financial statements and results of the Group for the six months ended 30 September 2015 and audited financial statements and results of the Group for the year ended 31 March 2015 and approving the revised terms of reference of the Audit Committee.

AUDITOR'S REMUNERATION

For the financial year ended 31 March 2016, the fees paid/payable to the Group's auditor, BDO Limited, is set out as follows:–

Nature of services	Amount HK\$'000
Audit Services	580
Non-audit services	358
Total:	938

CORPORATE GOVERNANCE REPORT

The non-audit services were related to agreed-upon procedures on certain financial information, and issuance of letters on indebtedness statements and a report on profit warning statement.

REMUNERATION COMMITTEE

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

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

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

During the financial year ended 31 March 2016, one remuneration committee meeting was held to determine the performance bonus for the year ended 31 March 2015 to the executive Directors and to review and determine the annual remuneration packages of the executive Directors and the remuneration packages of the newly appointed Directors. Individual attendance of each committee members at the meetings is as follows:

	Number of meetings attended/ eligible to attend
Independent Non-executive Directors	
Mr. Wong Yik Chung John (<i>Committee Chairman</i>) (<i>appointed on 23 December 2015</i>)	0/0
Mr. Ng Man Fai Matthew (<i>appointed on 23 December 2015</i>)	0/0
Mr. Ernst Rudolf Zimmermann (<i>appointed on 23 December 2015</i>)	0/0
Mr. Lung Hung Cheuk (<i>Committee Chairman</i>) (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	0/0
Mr. Leung Ka Tin (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	0/0
Mr. Li Wai Ming (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	0/0
Mr. Or Kam Chung Janson (<i>Committee Chairman</i>) (<i>resigned on 21 September 2015</i>)	1/1
Ms. Chau Cynthia Sin Ha (<i>resigned on 21 September 2015</i>)	1/1
Mr. Fong Pui Sheung David (<i>resigned on 21 September 2015</i>)	1/1
Executive Director	
Mr. Wu David Hang (<i>appointed on 23 December 2015</i>)	0/0

CORPORATE GOVERNANCE REPORT

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

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

NOMINATION COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2016, one nomination committee meeting was held to review and assess the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the year ended 31 March 2016. Individual attendance of each committee member at the meetings is as follows:

	Number of meeting attended/ eligible to attend
Independent Non-executive Directors	
Mr. Wong Yik Chung John (<i>appointed on 23 December 2015</i>)	0/0
Mr. Ng Man Fai Matthew (<i>appointed on 23 December 2015</i>)	0/0
Mr. Ernst Rudolf Zimmermann (<i>appointed on 23 December 2015</i>)	0/0
Mr. Lung Hung Cheuk (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	0/0
Mr. Leung Ka Tin (<i>Committee Chairman</i>) (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	0/0
Mr. Li Wai Ming (<i>appointed on 21 September 2015 and resigned on 23 December 2015</i>)	0/0
Ms. Chau Cynthia Sin Ha (<i>Committee Chairlady</i>) (<i>resigned on 21 September 2015</i>)	1/1
Mr. Fong Pui Sheung David (<i>resigned on 21 September 2015</i>)	1/1
Mr. Or Kam Chung Janson (<i>resigned on 21 September 2015</i>)	1/1
Executive Director	
Mr. Wu David Hang (<i>Committee Chairman</i>) (<i>appointed on 23 December 2015</i>)	0/0

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

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors; and
- to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations. During the year under review, all the newly appointed Directors were appointed by going through the selection process stated as above.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Monitoring and Reporting

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

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

CORPORATE GOVERNANCE FUNCTION

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The Directors' responsibilities in preparing financial statements and auditor's responsibilities are set out in the Independent Auditor's Report on pages 35 to 36 of this Annual Report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is responsible for maintaining an effective system of internal control to safeguard shareholders' investment and the Company's assets. The internal control system is designed to provide reasonable assurance on the effectiveness and efficiency of operations, to safeguard assets against unauthorized use or disposition and to maintain proper accounting records for producing reliable financial information.

The Board has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 March 2016. The Board considers that the existing risk management and internal control systems of the Company are adequate and effective.

CORPORATE COMMUNICATION

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

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

During the year under review, at the annual general meeting held on 4 September 2015, the whole Board of Directors and auditor of the Company have attended the meeting to answer questions of the shareholders of the Company.

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

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

CORPORATE GOVERNANCE REPORT

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

Procedures for putting forward Proposals at a General Meeting

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

COMPANY SECRETARY

Mr. Lau Wai Hung resigned as the company secretary of the Company (the "Company Secretary") and Mr. Lee Man Tai ("Mr. Lee") was appointed as the Company Secretary on 15 April 2015. Mr. Lee resigned and Mr. Lee Wing Yin ("Mr. Lee WY") was appointed as the Company Secretary on 21 September 2015. Mr. Lee WY resigned and Ms. Leung Pui Ki ("Ms. Leung") was appointed as the Company Secretary on 23 December 2015. Ms. Leung resigned and Mr. Chu Kin Ming ("Mr. Chu") was appointed as the Company Secretary on 29 February 2016. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. During the year ended 31 March 2016, Mr. Chu undertook not less than 15 hours of professional training to update his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

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

REPORT OF THE DIRECTORS

The directors (the “Directors”) are pleased to present their report together with the audited financial statements of Chanco International Group Limited (the “Company”) and its subsidiaries (collectively refer to the “Group”) for the year ended 31 March 2016.

CHANGE OF COMPANY NAME

Subsequent to the year ended 31 March 2016, pursuant to the resolution of the Board proposed on 29 April 2016, the Company announced the proposed change of the English name of the Company from “Chanco International Group Limited” to “Ascent International Holdings Limited”, and to adopt and register the Chinese name of “中壘國際控股有限公司” as the dual foreign name of the Company in place of its existing Chinese name of “卓高國際集團有限公司”. The change of name was approved by passing of a special resolution by the shareholders at the extraordinary general meeting of the Company held on 10 June 2016. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 12 July 2016. Following the change of Company’s name, the shares of the Company have been traded on the Stock Exchange under the new English stock short name of “Ascent Int’l” and new Chinese stock short name of “中壘國際”, instead of “Chanco Int’l” in English and “卓高國際” in Chinese, with effect from 9:00 a.m. on 20 July 2016. The stock code of the Company remains as “264”.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 25 to the consolidated financial statements.

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

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group’s performance during the year and the material factors underlying its financial performance and financial position can be found in the “Chairman’s Statement” and “Management Discussion and Analysis” set out on pages 6 to 8 and page 9 of this Annual Report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including market risk, credit risk, and liquidity risk. The risk management policies and practices of the Group are shown in note 29 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

For the year ended 31 March 2016, the Group was not subject to any environmental penalty.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

During the year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 37 to 41 of this Annual Report.

The Board declared a special interim dividend of HK\$0.4254 per share on 28 July 2015 to shareholders of the Company. The special interim dividend was paid on 31 August 2015.

The Directors do not recommend any payment of final dividend to shareholders for the year ended 31 March 2016.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 24 to the consolidated financial statements and in the consolidated statement of changes in equity on page 39 of this Annual Report, respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of share capital of the Company are set out in note 20(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2016, amounted to approximately HK\$43,013,000. Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the memorandum and articles of association of the Company and no distribution or dividend may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

BANK LOANS AND OVERDRAFTS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 10 to 12 of this Annual Report.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Wu David Hang (*Chairman and Chief Executive Officer*) (*appointed on 23 December 2015*)
Mr. Hou Jian (*appointed on 23 December 2015*)
Mr. Lee Wing Yin (*Chief Executive Officer*) (*appointed on 21 September 2015 and resigned on 23 December 2015*)
Mr. Ngan Man Ho (*appointed on 21 September 2015 and resigned on 23 December 2015*)
Mr. Chan King Hong Edwin (*Chairman and Chief Executive Officer*) (*resigned on 21 September 2015*)
Mr. Chan King Yuen Stanley (*resigned on 21 September 2015*)
Ms. Chan Wai Po Rebecca (*resigned on 21 September 2015*)

Independent Non-executive Directors

Mr. Wong Yik Chung John (*appointed on 23 December 2015*)
Mr. Ernst Rudolf Zimmermann (*appointed on 23 December 2015*)
Mr. Ng Man Fai Matthew (*appointed on 23 December 2015*)
Mr. Lung Hung Cheuk (*appointed on 21 September 2015 and resigned on 23 December 2015*)
Mr. Leung Ka Tin (*appointed on 21 September 2015 and resigned on 23 December 2015*)
Mr. Li Wai Ming (*appointed on 21 September 2015 and resigned on 23 December 2015*)
Ms. Chau Cynthia Sin Ha (*resigned on 21 September 2015*)
Mr. Fong Pui Sheung David (*resigned on 21 September 2015*)
Mr. Or Kam Chung Janson (*resigned on 21 September 2015*)

REPORT OF THE DIRECTORS

In accordance with Article 86(3) of the Company's articles of association (the "Articles"), Mr. Wu David Hang, Mr. Hou Jian, Mr. Wong Yik Chung John, Mr. Ernst Rudolf Zimmermann and Mr. Ng Man Fai Matthew shall retire from office in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

All of the independent non-executive Directors entered into a letter of appointment with the Company for an initial term of one year commencing from 23 December 2015 and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year and up to the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS

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

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE DIRECTORS

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

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

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

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

LONG POSITIONS

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

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

Note:

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

* For identification purposes only

REPORT OF THE DIRECTORS

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

SHARE OPTIONS

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

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentive or rewards for their contributions to the Group.

The Share Option Scheme is available to, at the discretion of the Directors, any employee (whether full time or part time, including any executive directors) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds any equity interest; any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiary or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; and any consultants, advisers, managers, officers or entities that provide research, development or other technological support to the Group or any Invested Entity.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other share option scheme of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not exceed 10% of the shares of the Company in issue on 12 March 2003, the date of the Company being listed on the Main Board of the Stock Exchange (the "Scheme Mandate Limit"). The Scheme Mandate Limit was refreshed on 5 September 2006. Upon refreshing of the Scheme Mandate Limit, the Company may grant options up to a maximum of 31,850,000 shares, representing 10% of the shares in issue of the Company as at 5 September 2006.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company to each participants in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to shareholders' approval at general meeting of the Company with such participant and his associates abstaining from voting.

REPORT OF THE DIRECTORS

An option may be accepted by a participant at a nominal consideration of HK\$1 within 28 days from the date of the offer of grant of the options. The subscription price for shares under the Share Option Scheme will be a price determined by the Directors but shall not be less than the highest of (i) the nominal value of shares; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of option, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end and in any event not later than ten years from the date on which the offer for grant of the option is made subject to the provisions of early termination thereof.

The Share Option Scheme has expired on 17 February 2013.

The following table discloses movement in the Company's share options under the Share Option Scheme during the period.

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				Held at 1 April 2015	Exercised during the year	Held at 31 March 2016
(a) Former Executive Directors						
Chan King Hong Edwin (resigned on 21 September 2015)	22 July 2009	22 July 2009 – 21 July 2019	0.57	8,700,000	(8,700,000)	–
Chan King Yuen Stanley (resigned on 21 September 2015)	22 July 2009	22 July 2009 – 21 July 2019	0.57	8,700,000	(8,700,000)	–
Chan Wai Po Rebecca (resigned on 21 September 2015)	22 July 2009	22 July 2009 – 21 July 2019	0.57	8,700,000	(8,700,000)	–
(b) Employees, in aggregate	22 July 2009	22 July 2009 – 21 July 2019	0.57	3,000,000	(3,000,000)	–
Total				29,100,000	(29,100,000)	–

Note: All the options were immediately vested upon granted.

There were 29,100,000 share options exercised and no share option of the Company was granted, lapsed or cancelled during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EQUITY-LINKED AGREEMENTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	13.3%
– five largest suppliers combined	40.4%
Sales	
– the largest customer	9.6%
– five largest customers combined	33.1%

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

CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

The related-party transactions set out in note 27 to the consolidated financial statements include transactions which did not constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of the related-party transactions entered into by Group during the year ended 31 March 2016 are set out in note 27 to the consolidated financial statements.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

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

The Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 March 2016 except for the deviations from the Code Provisions A.1.8, A.2.1 and A.2.2 to A.2.9 in respect of the arrangement of appropriate insurance cover in respect of legal action against Directors, the separation of roles of the chairman of the Board (the "Chairman") and Chief Executive Officer of the Company and the functions of the Chairman respectively. Details are set out in the section headed "Corporate Governance Report" on pages 13 to 24 of this Annual Report.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$4,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year.

AUDIT COMMITTEE

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

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the years ended 31 March 2014, 2015 and 2016 have been audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Wu David Hang

Chairman

Hong Kong, 30 June 2016

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF ASCENT INTERNATIONAL HOLDINGS LIMITED (FORMERLY KNOWN AS CHANCO INTERNATIONAL GROUP LIMITED)

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ascent International Holdings Limited (formerly known as Chanco International Group Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 37 to 77, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Wong Chi Wai

Practising Certificate Number P04945

Hong Kong, 30 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	128,259	128,711
Cost of sales		(96,590)	(105,904)
Gross profit		31,669	22,807
Other income and gains		3,801	5,401
Selling and distribution costs		(28,593)	(23,855)
Administrative and other operating expenses		(31,448)	(29,583)
Impairment loss on property, plant and equipment	13	(1,660)	–
Loss before income tax expense	8	(26,231)	(25,230)
Income tax expense	11	(1,821)	(550)
Loss for the year attributable to owners of the Company		(28,052)	(25,780)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale investments		(516)	1,817
Exchange differences arising on translation of financial statements of operations outside Hong Kong		(2,591)	(140)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments		(1,621)	(177)
Reclassification from equity to profit or loss on impairment of available-for-sale investments		–	280
Other comprehensive income for the year		(4,728)	1,780
Total comprehensive income for the year attributable to owners of the Company		(32,780)	(24,000)
Loss per share	12		
– Basic		(HK8.31 cents)	(HK8.09 cents)
– Diluted		(HK8.31 cents)	(HK8.09 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	13	1,254	2,086
Available-for-sale investments	14	–	8,236
Rental deposits		4,478	2,576
		5,732	12,898
Current assets			
Inventories	15	40,488	50,623
Trade and bills receivables	16	8,244	14,419
Other receivables, deposits and prepayments		1,858	8,241
Tax recoverable		276	282
Bank balances and cash		24,008	161,434
		74,874	234,999
Current liabilities			
Trade payables	17	6,285	8,472
Other payables and accrued charges		11,494	13,008
Amount due to a fellow subsidiary	18	11	–
Amount due to an intermediate holding company	18	590	–
		18,380	21,480
		56,494	213,519
Net current assets			
		62,226	226,417
Non-current liabilities			
Deferred tax liabilities	19	61	61
Total net assets		62,165	226,356
Capital and reserves attributable to owners of the Company			
Share capital	20	3,479	3,188
Reserves		58,686	223,168
Total equity		62,165	226,356

On behalf of the Board

Wu David Hang
Executive Director

Hou Jian
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Foreign exchange reserve HK\$'000	Statutory and discretionary reserves HK\$'000 (Note)	Available- for-sale investments reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2014	3,188	32,608	4,904	6,424	888	217	202,127	250,356
Loss for the year	-	-	-	-	-	-	(25,780)	(25,780)
Change in fair value of available-for-sale investments	-	-	-	-	-	1,817	-	1,817
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	(140)	-	-	-	(140)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments	-	-	-	-	-	(177)	-	(177)
Reclassification from equity to profit or loss on impairment of available-for-sale investments	-	-	-	-	-	280	-	280
Total comprehensive income for the year	-	-	-	(140)	-	1,920	(25,780)	(24,000)
Transfer between reserves	-	-	-	-	2,031	-	(2,031)	-
At 31 March 2015 and 1 April 2015	3,188	32,608	4,904	6,284	2,919	2,137	174,316	226,356
Loss for the year	-	-	-	-	-	-	(28,052)	(28,052)
Change in fair value of available-for-sale investments	-	-	-	-	-	(516)	-	(516)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	(2,591)	-	-	-	(2,591)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments	-	-	-	-	-	(1,621)	-	(1,621)
Total comprehensive income for the year	-	-	-	(2,591)	-	(2,137)	(28,052)	(32,780)
Issue of shares on exercise of share options (Note 20(a))	291	21,200	(4,904)	-	-	-	-	16,587
Special interim dividend (Note 22)	-	-	-	-	-	-	(147,998)	(147,998)
Transfer between reserves	-	-	-	-	2,330	-	(2,330)	-
At 31 March 2016	3,479	53,808	-	3,693	5,249	-	(4,064)	62,165

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 March 2016

	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Loss before income tax expense	(26,231)	(25,230)
Adjustments for:		
Interest income	(1,608)	(4,595)
Dividend income from available-for-sale investments	(207)	(288)
Gain on disposal of available-for-sale investments	(1,621)	(177)
Impairment loss on property, plant and equipment	1,660	–
Depreciation of property, plant and equipment	1,908	848
Loss/(gain) on disposal of property, plant and equipment	20	(4)
Impairment loss on available-for-sale investments	–	280
(Reversal of)/impairment loss on trade receivables	(125)	181
Write-down of inventories	4,264	1,839
Operating loss before working capital changes	(21,940)	(27,146)
Increase in rental deposits	(1,902)	(1,461)
Decrease in inventories	4,451	16,551
Decrease in trade and bills receivables	5,747	2,969
Decrease/(increase) in other receivables, deposits and prepayments	6,288	(1,332)
Decrease in trade payables	(1,681)	(437)
Decrease in other payables and accrued charges	(1,170)	(1,321)
Cash used in operations	(10,207)	(12,177)
Hong Kong Profits Tax refunded	100	32
PRC Enterprise Income Tax paid	(1,931)	(1,031)
<i>Net cash used in operating activities</i>	(12,038)	(13,176)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,791)	(1,116)
Proceeds from disposal of available-for-sale investments	7,720	566
Decrease/(increase) in bank deposit with original maturity of over three months	15,488	(15,488)
Interest received	1,608	4,595
Dividend received from available-for-sale investments	207	288
Decrease in bank deposit with original maturity of over one year	–	9,434
Proceeds from disposal of property, plant and equipment	–	53
<i>Net cash generated from/(used in) investing activities</i>	22,232	(1,668)
Cash flows from financing activities		
Proceeds from exercise of share options	16,587	–
Special interim dividend paid	(147,998)	–
Increase in amount due to a fellow subsidiary	11	–
Increase in amount due to an intermediate holding company	590	–
<i>Net cash used in financing activities</i>	(130,810)	–
Net decrease in cash and cash equivalents	(120,616)	(14,844)
Cash and cash equivalents at beginning of year	145,946	160,531
Effect of exchange rate changes on cash and cash equivalents	(1,322)	259
Cash and cash equivalents at end of year	24,008	145,946
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated statement of cash flows	24,008	145,946
Bank deposit with original maturity of over three months	–	15,488
Bank balances and cash as stated in the consolidated statement of financial position	24,008	161,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

1. GENERAL

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

On 7 September 2015, Green Parade Limited (“Green Parade”), a company incorporated in the British Virgin Islands (the “BVI”) and wholly owned by Mr. Pong Wilson Wai San, acquired approximately 65.00% of the total issued shares of the Company from certain shareholders of the Company.

On 2 November 2015, Green Parade sold approximately 66.10% of the total issued shares of the Company to Zhurong Global Limited (“Zhurong”). Zhurong is an indirectly wholly owned subsidiary of Zhonghong Holding Co., Ltd. (“Zhonghong”), a company established in the PRC with its shares listed on the Shenzhen Stock Exchange (stock code: 000979).

As at 31 March 2016, the directors of the Company consider that the Company’s immediate and ultimate holding company were Zhurong and Zhonghong, respectively, and its ultimate controlling party was Mr. Wang Yonghong, who holds approximately 26.55% of the issued shares of Zhonghong through one of his wholly-owned companies.

The 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.

Subsequent to the special resolution of the Company’s shareholders passed on 10 June 2016, the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands certifying the change of the Company’s name from “Chanco International Group Limited” to “Ascent International Holdings Limited” with effect from 14 June 2016. The registration procedures with the Companies Registry in Hong Kong relating to the application of the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company have not yet been completed as at the date of approval of these consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND THE AMENDED RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (“AMENDED LISTING RULES”) RELATING TO THE DISCLOSURE REQUIREMENTS FOR FINANCIAL STATEMENTS

(a) *Adoption of amendments to HKFRSs – first effective on 1 April 2015*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND THE AMENDED RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (“AMENDED LISTING RULES”) RELATING TO THE DISCLOSURE REQUIREMENTS FOR FINANCIAL STATEMENTS (CONTINUED)

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

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2016

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

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

Annual Improvements 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 9 (2014) – Financial Instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND THE AMENDED RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (“AMENDED LISTING RULES”) RELATING TO THE DISCLOSURE REQUIREMENTS FOR FINANCIAL STATEMENTS (CONTINUED)

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

HKFRS 9 (2014) – Financial Instruments (Continued)

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

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

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 each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

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

HKFRS 16 – Leases

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these pronouncements disclosed above. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND THE AMENDED RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (“AMENDED LISTING RULES”) RELATING TO THE DISCLOSURE REQUIREMENTS FOR FINANCIAL STATEMENTS (CONTINUED)

(c) *Amended Listing Rules relating to the disclosure requirements for financial statements*

The Amended Listing Rules in relation to the disclosure requirements for financial statements, including the amendments with reference to the provisions of the new Hong Kong Companies Ordinance, Cap. 622 in relation to the disclosure requirements for financial statements, apply to the Company in this financial year.

There is no impact on the Group’s financial position or performance, however the Amended Listing Rules have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the consolidated financial statements rather than a primary statement and the related notes to the statement of financial position of the Company are generally no longer presented.

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 (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) *Financial instruments*

(i) **Financial assets**

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

Loans and receivables

These assets, including rental deposits, trade and bills receivables, other receivables, deposits 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.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

(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;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) *Financial instruments (Continued)*

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

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.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(iii) Financial liabilities

Financial liabilities at amortised cost, including trade payables, other payables and accrued charges, and amounts due to a fellow subsidiary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) *Financial instruments (Continued)*

(vi) **Derecognition**

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

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

(f) *Inventories*

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

(g) *Revenue recognition*

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

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

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

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

(h) *Income taxes*

Income taxes for the year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *Foreign currency*

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

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, 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.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of the profit or loss on disposal.

(j) *Employee benefits*

(i) **Short term employee benefits**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) *Share-based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) *Related parties (Continued)*

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of property, plant and equipment

Impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit ("CGU") to which they belong, is the higher of its value in use ("VIU") and fair value less costs of disposal ("FVLCOB").

VIU

The VIU calculations primarily use cash flow projections based on financial budgets approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions and estimates in the VIU calculations include the expected growth in revenues, timing of future capital expenditures and selection of discount rates to reflect the risks involved. Details of the key assumptions and estimates in the VIU calculations are set out in Note 13.

Judgement is required to determine key assumptions and estimates adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment (Continued)

FVL COD

Management estimate the amount obtainable from the sales of the assets or the CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal, as appropriate. Management estimated that the FVL CODs of the CGUs should not be materially different from their respective VIUs if the subject assets within the respective CGUs are collectively used by market participants as the existing use of these assets represent their highest and best use.

If future events do not correspond to such assumptions and estimates, the recoverable amounts will need to be revised, and this may have an impact on the Group's financial performance and financial position.

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	– Manufacture 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

6. SEGMENT REPORTING (CONTINUED)

(a) *Reportable segments*

	Manufacturing business		Retail business		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	96,877	97,199	31,382	31,512	128,259	128,711
Inter-segment revenue	7,976	6,121	-	-	7,976	6,121
Reportable segment revenue	104,853	103,320	31,382	31,512	136,235	134,832
Reportable segment loss	(16,510)	(25,949)	(6,627)	(3,208)	(23,137)	(29,157)
Depreciation of property, plant and equipment	265	371	1,510	298	1,775	669
Impairment loss on property, plant and equipment	-	-	1,660	-	1,660	-
Write-down/(reversal of write-down) of inventories	5,273	1,795	(1,009)	44	4,264	1,839
Reportable segment assets	64,609	114,955	14,197	18,267	78,806	133,222
Additions to property, plant and equipment	115	145	2,639	905	2,754	1,050
Reportable segment liabilities	14,841	20,315	1,181	1,133	16,022	21,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

6. SEGMENT REPORTING (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Reportable segment revenue	136,235	134,832
Elimination of inter-segment revenue	(7,976)	(6,121)
Consolidated revenue	128,259	128,711
Loss before income tax expense		
Reportable segment loss	(23,137)	(29,157)
Elimination of inter-segment (gains)/losses	(410)	104
Interest income	1,608	4,595
Dividend income from available-for-sale investments	207	288
Gain on disposal of available-for-sale investments	1,621	177
Impairment loss on available-for-sale investments	–	(280)
Unallocated corporate expenses (Note)	(6,120)	(957)
Consolidated loss before income tax expense	(26,231)	(25,230)
Depreciation of property, plant and equipment		
Reportable segment depreciation	1,775	669
Depreciation of unallocated property, plant and equipment	133	179
Consolidated depreciation of property, plant and equipment	1,908	848
Additions to property, plant and equipment		
Reportable segment additions	2,754	1,050
Unallocated additions to property, plant and equipment	37	66
Consolidated additions to property, plant and equipment	2,791	1,116
Assets		
Reportable segment assets	78,806	133,222
Available-for-sale investments	–	8,236
Tax recoverable	276	282
Unallocated corporate bank balances and cash	998	105,448
Other unallocated corporate assets	526	709
Consolidated total assets	80,606	247,897
Liabilities		
Reportable segment liabilities	16,022	21,448
Deferred tax liabilities	61	61
Unallocated corporate liabilities	2,358	32
Consolidated total liabilities	18,441	21,541

Note: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

6. SEGMENT REPORTING (CONTINUED)

(c) Geographical information

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

	Revenue from external customers (Note)		Property, plant and equipment	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong (place of domicile)	40,437	45,973	610	907
Europe	27,573	30,131	–	–
The PRC	9,541	15,692	644	1,179
The United States of America	18,650	10,469	–	–
Other countries	32,058	26,446	–	–
Total	87,822	82,738	644	1,179
	128,259	128,711	1,254	2,086

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

(d) Information about major customers

For the years ended 31 March 2016 and 2015, no individual customers accounted for 10% or more of the Group's revenue.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

8. LOSS BEFORE INCOME TAX EXPENSE

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

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration	580	438
Cost of inventories recognised as expenses	96,590	105,904
Employee costs, excluding directors' emoluments (Note 9)	44,818	31,623
Depreciation of property, plant and equipment	1,908	848
Loss/(gain) on disposal of property, plant and equipment	20	(4)
Impairment loss on property, plant and equipment	1,660	–
(Reversal of)/impairment loss on trade receivables	(125)	181
Write-down of inventories (included in cost of sales)	4,264	1,839
Impairment loss on available-for-sale investments	–	280
Foreign exchange loss, net	4,957	112
Interest income	(1,608)	(4,595)
Dividend income from available-for-sale investments	(207)	(288)
Gain on disposal of available-for-sale investments	(1,621)	(177)

9. EMPLOYEE COSTS, EXCLUDING DIRECTORS' EMOLUMENTS

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	41,487	29,628
Retirement benefits scheme contributions	3,331	1,995
	44,818	31,623

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) *Directors' emoluments*

	2016 HK\$'000	2015 HK\$'000
Directors' fees	228	150
Other emoluments:		
Salaries and other benefits	3,637	7,476
Retirement benefits scheme contributions	45	88
	3,910	7,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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

(a) *Directors' emoluments (Continued)*

Details of directors' emoluments for the year ended 31 March 2016 are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
2016				
<i>Executive directors:</i>				
Wu David Hang [^]	-	-	-	-
Hou Jian [^]	-	-	-	-
Lee Wing Yin*	-	-	-	-
Ngan Man Ho*	-	-	-	-
Chan King Hong Edwin [#]	-	1,237	18	1,255
Chan King Yuen Stanley [#]	-	1,237	18	1,255
Chan Wai Po Rebecca [#]	-	1,163	9	1,172
<i>Independent non-executive directors:</i>				
Wong Yik Chung John [^]	36	-	-	36
Ernst Rudolf Zimmermann [^]	45	-	-	45
Ng Man Fai Matthew [^]	36	-	-	36
Lung Hung Cheuk*	13	-	-	13
Leung Ka Tin*	13	-	-	13
Li Wai Ming*	13	-	-	13
Chau Cynthia Sin Ha [#]	24	-	-	24
Fong Pui Sheung David [#]	24	-	-	24
Or Kam Chung Janson [#]	24	-	-	24
Total	228	3,637	45	3,910
2015				
<i>Executive directors:</i>				
Chan King Hong Edwin [#]	-	2,544	35	2,579
Chan King Yuen Stanley [#]	-	2,544	35	2,579
Chan Wai Po Rebecca [#]	-	2,388	18	2,406
<i>Independent non-executive directors:</i>				
Chau Cynthia Sin Ha [#]	50	-	-	50
Fong Pui Sheung David [#]	50	-	-	50
Or Kam Chung Janson [#]	50	-	-	50
Total	150	7,476	88	7,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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

(a) Directors' emoluments (Continued)

- [^] Mr. Wu David Hang and Mr. Hou Jian were appointed as executive directors, and Mr. Wong Yik Chung John, Mr. Ernst Rudolf Zimmermann and Mr. Ng Man Fai Matthew were appointed as independent non-executive directors, on 23 December 2015.
- ^{*} Mr. Lee Wing Yin, Mr. Ngan Man Ho, Mr. Lung Hung Cheuk, Mr. Leung Ka Tin and Mr. Li Wai Ming were appointed as directors of the Company on 21 September 2015 and resigned on 23 December 2015.
- [#] Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley, Ms. Chan Wai Po Rebecca, Ms. Chau Cynthia Sin Ha, Mr. Fong Pui Sheung David and Mr. Or Kam Chung Janson resigned as directors of the Company on 21 September 2015.

No directors waived any emoluments during the years ended 31 March 2016 and 2015.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three resigned directors (2015: three directors) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2015: two) individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	1,693	1,888
Discretionary bonuses	285	–
Retirement benefits scheme contributions	28	35
	2,006	1,923

The emoluments of the remaining individuals were within the following bands:

	2016 No. of individuals	2015 No. of individuals
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	1

During the years ended 31 March 2016 and 2015, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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

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

	2016	2015
	No. of individuals	No. of individuals
Nil to HK\$1,000,000	18	7
HK\$1,000,001 to HK\$1,500,000	4	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	2

11. INCOME TAX EXPENSE

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

	2016	2015
	HK\$'000	HK\$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	157	698
– under/(over) provision in respect of prior years	343	(148)
	500	550
PRC withholding tax	1,321	–
Income tax expense	1,821	550

No provision for Hong Kong Profits Tax has been made as the Group has sustained estimated tax losses for both years ended 31 March 2016 and 2015.

PRC Enterprise Income Tax rate for the Company's subsidiaries in the PRC is 25% (2015: 25%). PRC withholding tax is calculated at the rate applicable to the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

11. INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Loss before income tax expense	(26,231)	(25,230)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(4,328)	(4,163)
Tax effect of expenses not deductible for tax purpose	2,765	5,751
Tax effect of income not taxable for tax purpose	(790)	(4,728)
Under/(over) provision in respect of prior years	343	(148)
Effect of different tax rates of subsidiaries operating in other jurisdiction	349	(360)
Tax effect of tax losses not recognised	3,134	4,504
Utilisation of tax losses previously not recognised	(1,317)	–
Utilisation of other deductible temporary difference previously not recognised	–	(328)
Tax effect of other deductible temporary difference not recognised	470	–
PRC withholding tax	1,321	–
Others	(126)	22
Income tax expense	1,821	550

12. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the Group's loss for the year of approximately HK\$28,052,000 (2015: HK\$25,780,000) attributable to owners of the Company and the weighted average number of approximately 337,488,000 (2015: 318,804,000) ordinary shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the outstanding share options have an anti-dilutive effect on the basic loss per share for both years ended 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 April 2015	9,718	6,139	12,424	2,578	30,859
Additions	43	228	2,517	3	2,791
Disposals	-	(275)	(881)	-	(1,156)
Exchange realignment	(170)	(11)	-	(52)	(233)
At 31 March 2016	9,591	6,081	14,060	2,529	32,261
Accumulated depreciation and impairment					
At 1 April 2015	9,441	5,841	11,577	1,914	28,773
Depreciation	94	101	1,516	197	1,908
Impairment losses	-	181	1,479	-	1,660
Eliminated on disposals	-	(255)	(881)	-	(1,136)
Exchange realignment	(158)	(7)	-	(33)	(198)
At 31 March 2016	9,377	5,861	13,691	2,078	31,007
At 31 March 2016	214	220	369	451	1,254
Net book value					
At 31 March 2016	214	220	369	451	1,254
Cost					
At 1 April 2014	9,657	6,132	14,064	2,646	32,499
Additions	38	144	854	80	1,116
Disposals	-	(138)	(2,494)	(155)	(2,787)
Exchange realignment	23	1	-	7	31
At 31 March 2015	9,718	6,139	12,424	2,578	30,859
Accumulated depreciation and impairment					
At 1 April 2014	9,302	5,897	13,669	1,769	30,637
Depreciation	118	75	372	283	848
Eliminated on disposals	-	(132)	(2,464)	(142)	(2,738)
Exchange realignment	21	1	-	4	26
At 31 March 2015	9,441	5,841	11,577	1,914	28,773
At 31 March 2015	277	298	847	664	2,086
Net book value					
At 31 March 2015	277	298	847	664	2,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 March 2016, due to the unstable economic environment and keen competition of the market, certain existing retail outlets of the Group which generated profits in the past have incurred losses for the year or performed below budgets, and certain retail outlets newly opened during the year have been experiencing losses. Management considered there were impairment indicators and hence conducted impairment assessment on these retail outlets. Certain items of property, plant and equipment including furniture and fixtures and leasehold improvements (the "Relevant Assets") are grouped into the relevant retail outlets, which constitute individual CGUs for the purpose of impairment assessment. The recoverable amounts of the CGUs have been determined by management with reference to VIU calculations, using cash flow projections from the latest financial budgets formally approved by management covering periods from 1 April 2016 to the end of the relevant leases of the retail outlets with growth rates up to 10%, and at a discount rate of 16.8%. Management estimated the discount rate using pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the respective CGUs. The growth rates within the budget periods are estimated by management after having taken into consideration of the past performance of the CGUs, industry growth forecasts, and future business plan of the Group. In view of the carrying amounts of the Relevant Assets being higher than the recoverable amounts of the CGUs, impairment losses of approximately HK\$181,000 and HK\$1,479,000 against the furniture and fixtures and leasehold improvements, respectively, have been recognised in the consolidated statement of comprehensive income for the year ended 31 March 2016.

14. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong, at fair value	–	8,236

As at 31 March 2015, fair value was determined by reference to published price quotation in an active market.

15. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	28,114	39,562
Work in progress	4,547	3,015
Finished goods	7,827	8,046
	40,488	50,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

16. TRADE AND BILLS RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade and bills receivables	9,038	15,338
Less: impairment loss	(794)	(919)
	8,244	14,419

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:

	2016 HK\$'000	2015 HK\$'000
Less than 30 days	4,643	8,558
31 to 60 days	612	3,140
61 to 90 days	1,965	885
91 to 120 days	501	311
121 to 365 days	438	1,522
More than 365 days	85	3
	8,244	14,419

As at 31 March 2016, trade and bills receivables of approximately HK\$4,549,000 (2015: HK\$10,189,000) 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:

	2016 HK\$'000	2015 HK\$'000
Less than 30 days past due	705	2,324
31–60 days past due	1,965	421
61–90 days past due	502	543
91–120 days past due	57	505
121–365 days past due	381	434
More than 365 days	85	3
	3,695	4,230

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

16. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	919	738
(Reversal of)/impairment loss recognised	(125)	181
At end of the year	794	919

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:

	2016 HK\$'000	2015 HK\$'000
Less than 30 days	3,100	2,885
31 to 60 days	671	1,399
61 to 90 days	1,128	1,880
91 to 120 days	1,042	1,581
121 to 365 days	174	651
More than 365 days	170	76
	6,285	8,472

18. AMOUNTS DUE TO A FELLOW SUBSIDIARY AND AN INTERMEDIATE HOLDING COMPANY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

19. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	61

At 31 March 2016, the Group had other deductible temporary difference of approximately HK\$6,738,000 (2015: HK\$3,832,000) and unused tax losses of approximately HK\$65,263,000 (2015: HK\$52,227,000). The deductible temporary difference and unused tax losses of approximately HK\$6,738,000 (2015: HK\$3,832,000) and HK\$63,633,000 (2015: HK\$45,330,000), respectively, can be carried forward indefinitely, while the remaining unused tax losses of approximately HK\$1,630,000 (2015: HK\$6,897,000) 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.

No deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK\$12,016,000 (2015: HK\$26,208,000) of a subsidiary in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in the foreseeable future.

At 31 March 2016, the Group did not have other material unrecognised deferred tax assets and liabilities (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

20. SHARE CAPITAL

(a) *Authorised and issued share capital*

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
At 1 April 2014, 31 March 2015 and 1 April 2015	318,804,000	3,188
Issue of shares on exercise of share options (Note)	29,100,000	291
At 31 March 2016	347,904,000	3,479

Note:

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

(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\$62,165,000 (2015: HK\$226,356,000) as shown in the consolidated statement of financial position as at 31 March 2016. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

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

No changes were made in the objectives or policies during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

21. SHARE OPTIONS

Under the share option scheme (the "Share Option Scheme") approved by the shareholders on 18 February 2003, the directors of the Company may, at its discretion, invite non-executive directors, employees, invested entities, suppliers of goods or services, customers, consultants and advisors of the Group or any entity in which any member of the Group holds any equity interest to take up options to subscribe for shares in the Company representing up to a maximum of 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the Share Option Scheme shall be determined by the board and shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

The following table discloses movements in the Company's share options during the years ended 31 March 2016 and 2015.

Name or category of participant	Date of grant	Number of options outstanding		Number of options outstanding		Exercise price per share HK\$
		as at 1 April 2014, 31 March 2015 and 1 April 2015	Exercised during the year	as at 31 March 2016	Exercisable period	
(a) Executive directors						
Chan King Hong Edwin [#]	22 July 2009	8,700,000	(8,700,000)	-	22 July 2009 – 21 July 2019	0.570
Chan King Yuen Stanley [#]	22 July 2009	8,700,000	(8,700,000)	-	22 July 2009 – 21 July 2019	0.570
Chan Wai Po Rebecca [#]	22 July 2009	8,700,000	(8,700,000)	-	22 July 2009 – 21 July 2019	0.570
		26,100,000	(26,100,000)			
(b) Employees, in aggregate	22 July 2009	3,000,000	(3,000,000)	-	22 July 2009 – 21 July 2019	0.570
Total		29,100,000	(29,100,000)	-		
Weighted average exercise price		HK\$0.570	HK\$0.570	n/a		

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

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

No options have been granted or lapsed during the year ended 31 March 2016 and there are no outstanding share options as at 31 March 2016. The weighted average remaining contractual life of the options outstanding at 31 March 2015 was 4.31 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

22. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Special interim dividend of HK\$0.4254 (2015: Nil) per ordinary share	147,998	–

The directors of the Company do not recommend the payment of interim or final dividends for both years ended 31 March 2016 and 2015.

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investments in subsidiaries		48,570	48,181
Available-for-sale investments		–	8,236
		48,570	56,417
Current assets			
Other receivables		113	145
Amounts due from subsidiaries		–	33,663
Bank balances and cash		990	2,179
		1,103	35,987
Current liabilities			
Accrued charges and other payables		1,756	32
Amounts due to subsidiaries		824	–
Amount due to a fellow subsidiary		11	–
Amount due to an intermediate holding company		590	–
		3,181	32
Net current (liabilities)/assets		(2,078)	35,955
Total net assets		46,492	92,372
Capital and reserves attributable to owners of the Company			
Share capital	20	3,479	3,188
Reserves	24	43,013	89,184
Total equity		46,492	92,372

On behalf of the Board

Wu David Hang
Executive Director

Hou Jian
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

24. RESERVES

The Company

	Share premium HK\$'000	Share option reserve HK\$'000	Available- for-sale investments reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2014	80,779	4,904	217	1,542	87,442
Loss for the year	-	-	-	(178)	(178)
Change in fair value of available-for-sale investments	-	-	1,817	-	1,817
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments	-	-	(177)	-	(177)
Reclassification from equity to profit or loss on impairment of available-for-sale investments	-	-	280	-	280
Total comprehensive income for the year	-	-	1,920	(178)	1,742
At 31 March 2015 and 1 April 2015	80,779	4,904	2,137	1,364	89,184
Profit for the year	-	-	-	87,668	87,668
Change in fair value of available-for-sale investments	-	-	(516)	-	(516)
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments	-	-	(1,621)	-	(1,621)
Total comprehensive income for the year	-	-	(2,137)	87,668	85,531
Issue of shares on exercise of share options (Note 20(a))	21,200	(4,904)	-	-	16,296
Special interim dividend (Note 22)	-	-	-	(147,998)	(147,998)
At 31 March 2016	101,979	-	-	(58,966)	43,013

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

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Share option reserve	Cumulative expenses recognised on the granting of share options to participant over the vesting period.
Available-for-sale investments reserve	Fair value changes arising on recognising financial assets classified as available-for-sale investments at fair value.
Retained earnings/(accumulated losses)	Cumulative net gains and losses recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

25. SUBSIDIARIES

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

Name	Place of incorporation or establishment/ operations	Issued share capital /paid up registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Chanco International Holding Limited	British Virgin Islands/ Hong Kong	Ordinary shares US\$1,000	100%		Investment holding
Leisure State Limited (Note (a))	British Virgin Islands/ Hong Kong	Ordinary shares US\$50,000	100%		Investment holding
Sun Ray Manufactory, Limited	Hong Kong	Non-voting deferred shares HK\$6 Ordinary shares HK\$2	–	100%	Trading of leather products
Elite Leatherware Company Limited	Hong Kong	Ordinary shares HK\$10,000	–	100%	Trading of leather products
Talent Union Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares US\$8	–	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	British Virgin Islands/ Hong Kong	Ordinary share US\$1	–	100%	Investment holding
Urban Stranger Company Limited	Hong Kong	Ordinary share HK\$1	–	100%	Retail of fashion apparel, footwear and leather accessories
Zhonghong Cultural Recreation Holdings Limited (Note (a))	Hong Kong	Ordinary shares HK\$10,000	–	100%	Inactive

Notes:

- (a) These subsidiaries were newly incorporated during the year ended 31 March 2016.
(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 the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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 (2015: one to three years), and the leases for certain retail outlets include contingent rents, which are determined by applying pre-determined percentages to sales less the basic rentals of the respective leases.

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

	2016 HK\$'000	2015 HK\$'000
Minimum lease payments	18,564	17,549
Contingent rents	60	14
	18,624	17,563

The total future minimum lease payments are due as follows:

	2016 HK\$'000	2015 HK\$'000
Not later than one year	15,287	11,378
Later than one year and not later than five years	14,803	8,990
	30,090	20,368

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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:

	2016 HK\$'000	2015 HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	780	765

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

- (b) *Compensation of key management personnel*

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

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	6,230	11,204
Post employment benefits	88	175
	6,318	11,379

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

29. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, credit and liquidity risks arises in the normal course of the Group's business. The Group was also exposed to equity price risk arising from its available-for-sale investments as at 31 March 2015.

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 United States Dollars ("USD") and Renminbi ("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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
RMB	959	5,121	955	113,904

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.

Sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year and accumulated loss or retained earnings in response to reasonably possible changes in the foreign exchange rate to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	2016		2015	
	Appreciation/ (depreciation) of foreign exchange rates against HK\$ %	Increase/ (decrease) in loss for the year and increase/ (decrease) in accumulated losses HK\$'000	Appreciation/ (depreciation) of foreign exchange rates against HK\$ %	Increase/ (decrease) in loss for the year and decrease/ (increase) in retained earnings HK\$'000
RMB	2%	-	2%	(2,383)
	(2%)	-	(2%)	2,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) *Currency risk (Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 March 2015.

(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 March 2016, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the loss for the year and decreased/increased the accumulated losses by approximately HK\$52,000 (2015: decreased/increased the loss for the year and increased/decreased the retained earnings by approximately HK\$333,000).

(iii) *Credit risk*

The Group has concentration of credit risk on trade and bills receivables as the amounts due from its three (2015: four) customers as at 31 March 2016 amounted to approximately HK\$3,298,000 (2015: HK\$8,122,000) which accounted for approximately 40% (2015: 56%) 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 making available standby banking facilities and maintaining adequate bank balances and cash for its operations. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group's financial liabilities comprise trade payables, other payables and accrued charges and amounts due to a fellow subsidiary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) *Equity price risk*

As at 31 March 2015, the Group was exposed to equity price changes arising from equity instruments classified as available-for-sale investments. All of these investments were listed on the Stock Exchange. Listed investments held in the available-for-sale portfolio had been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

As at 31 March 2015, it was estimated that an increase or decrease of 15% in the prices of the respective equity instruments, with all other variables held constant, would have insignificant effect on the loss or other components of equity of the Group for the year ended 31 March 2015.

As at 31 March 2016, the Group does not have any equity instruments classified as available-for-sale investments.

(vi) *Fair values*

(a) As at 31 March 2016, the Group has no financial instruments carried at fair value.

The following table provides an analysis of financial instruments carried at fair value as at 31 March 2015 by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2015				
Available-for-sale investments –				
Listed	8,236	–	–	8,236

(b) The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures).
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider the fair values of the Group's financial assets and financial liabilities approximate their carrying amounts as at the end of each reporting period.

30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 June 2016.

FIVE YEARS FINANCIAL SUMMARY

31 March 2016

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

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Results					
(Loss)/profit for the year	(28,052)	(25,780)	(38,866)	(2,569)	6,980
Assets and liabilities					
Total assets	80,606	247,897	273,496	308,952	318,599
Total liabilities	(18,441)	(21,541)	(23,140)	(20,515)	(27,579)
Total equity	62,165	226,356	250,356	288,437	291,020