CHANCO INTERNATIONAL GROUP LIMITED
卓 高 國 際 集 團 有 限 公 司
(incorporated in the Cayman Islands with limited liability)

(Stock Code: 264)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

The Board of Directors of Chanco International Group Limited (the "Company") is pleased announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2015 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

		2015	2014
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**128,711**	131,418
Cost of sales		**(105,904)**	(119,210)
Gross profit		**22,807**	12,208
Other income and gains		**5,401**	6,978
Selling and distribution costs		**(23,855)**	(24,081)
Administrative and other operating expenses		**(29,583)**	(28,839)
Impairment loss on property, plant and equipment		**–**	(4,755)

	Notes	2015 HK$'000	2014 HK$'000
Loss before income tax expense	3	**(25,230)**	(38,489)
Income tax expense	4	**(550)**	(377)
Loss for the year attributable to owners of the Company		**(25,780)**	(38,866)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**1,817**	(26)
Exchange differences arising on translation of financial statements of operations outside Hong Kong		**(140)**	644
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments		**(177)**	(463)
Reclassification from equity to profit or loss on impairment of available-for-sale investments		**280**	630
Other comprehensive income for the year		**1,780**	785
Total comprehensive income for the year attributable to owners of the Company		**(24,000)**	(38,081)
Loss per share	5		
– Basic		**(HK8.09 cents)**	(HK12.19 cents)
– Diluted		**(HK8.09 cents)**	(HK12.19 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**2,086**	1,862
Available-for-sale investments		**8,236**	6,985
Rental deposits		**2,576**	1,115
		12,898	9,962
Current assets			
Inventories		**50,623**	69,025
Trade and bills receivables	*6*	**14,419**	17,528
Other receivables, deposits and prepayments		**8,241**	6,884
Tax recoverable		**282**	132
Bank deposit with original maturity of over one year		**–**	9,434
Bank balances and cash		**161,434**	160,531
		234,999	263,534
Current liabilities			
Trade payables	*7*	**8,472**	8,474
Other payables and accrued charges		**13,008**	14,304
Current tax liabilities		**–**	301
		21,480	23,079
Net current assets		**213,519**	240,455
Total assets less current liabilities		**226,417**	250,417
Non-current liabilities			
Deferred tax liabilities		**61**	61

	Notes	2015 HK$'000	2014 HK$'000
Total net assets		**226,356**	250,356
Capital and reserves attributable to owners of the Company			
Share capital		**3,188**	3,188
Reserves		**223,168**	247,168
Total equity		**226,356**	250,356

Note:

1. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE DISCLOSURE REQUIREMENTS FOR FINANCIAL STATEMENTS**

(a) Adoption of new/revised HKFRSs – first effective on 1 April 2014

A number of amendments to HKFRSs and one new interpretation are first effective for the current accounting period of the Group. The adoption of these amendments to HKFRSs and interpretation has no material impact on the Group's financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

[1] *Effective for annual periods beginning on or after 1 July 2014*
[2] *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*
[3] *Effective for annual periods beginning on or after 1 January 2016*
[4] *Effective for annual periods beginning on or after 1 January 2017*
[5] *Effective for annual periods beginning on or after 1 January 2018*

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 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 to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

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").

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.

The Group is in the process of making an assessment of the potential impact of these pronouncements disclosed above. The directors of the Company so far concluded that the adoption of these pronouncements will have no material impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the disclosure requirements for financial statements

The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") requiring financial statements disclosures with reference to the provisions of the new Hong Kong Companies Ordinance, Cap. 622 will first apply to the Company in its first financial year ending on 31 March 2016.

The directors of the Company consider that there will be no impact on the Group's financial position or performance, however the disclosure requirements of the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company will be presented in the notes to the financial statements rather than a separate statement and certain related notes need not be included.

2. SEGMENT REPORTING

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

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

Manufacturing business	–	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.

(a) Reportable segments

	Manufacturing business		**Retail business**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**97,199**	97,906	**31,512**	33,512	**128,711**	131,418
Inter-segment revenue	**6,121**	3,799	**–**	–	**6,121**	3,799
Reportable segment revenue	**103,320**	101,705	**31,512**	33,512	**134,832**	135,217
Reportable segment loss	**(25,949)**	(35,362)	**(3,208)**	(7,368)	**(29,157)**	(42,730)
Depreciation of property, plant and equipment	**371**	1,627	**298**	712	**669**	2,339
Impairment loss on property, plant and equipment	**–**	2,798	**–**	1,002	**–**	3,800
Write-down of inventories	**1,795**	7,505	**44**	2,713	**1,839**	10,218
Reportable segment assets	**114,955**	142,240	**18,267**	15,826	**133,222**	158,066
Additions to property, plant and equipment	**145**	1,443	**905**	91	**1,050**	1,534
Reportable segment liabilities	**20,315**	21,855	**1,133**	880	**21,448**	22,735

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**134,832**	135,217
Elimination of inter-segment revenue	**(6,121)**	(3,799)
Consolidated revenue	**128,711**	131,418
Loss before income tax expense		
Reportable segment loss	**(29,157)**	(42,730)
Elimination of inter-segment losses	**104**	245
Interest income	**4,595**	5,029
Dividend income from available-for-sale investments	**288**	221
Gain on disposal of available-for-sale investments	**177**	463
Impairment loss on available-for-sale investments	**(280)**	(630)
Unallocated corporate expenses	**(957)**	(1,087)
Consolidated loss before income tax expense	**(25,230)**	(38,489)
Depreciation of property, plant and equipment		
Reportable segment depreciation	**669**	2,339
Depreciation of unallocated property, plant and equipment	**179**	380
Consolidated depreciation of property, plant and equipment	**848**	2,719
Impairment loss on property, plant and equipment		
Reportable segment impairment loss on property, plant and equipment	**–**	3,800
Impairment loss on unallocated property, plant and equipment	**–**	955
Consolidated impairment loss on property, plant and equipment	**–**	4,755

	2015	2014
	HK$'000	*HK$'000*
Additions to property, plant and equipment		
Reportable segment additions	**1,050**	1,534
Unallocated additions to property, plant and equipment	**66**	433
Consolidated additions to property, plant and equipment	**1,116**	1,967
Assets		
Reportable segment assets	**133,222**	158,066
Available-for-sale investments	**8,236**	6,985
Tax recoverable	**282**	132
Unallocated corporate bank balances and cash	**105,448**	107,489
Other unallocated corporate assets	**709**	824
Consolidated total assets	**247,897**	273,496
Liabilities		
Reportable segment liabilities	**21,448**	22,735
Current tax liabilities	**–**	301
Deferred tax liabilities	**61**	61
Unallocated corporate liabilities	**32**	43
Consolidated total liabilities	**21,541**	23,140

(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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**45,973**	51,605	**907**	716
Europe	**30,131**	31,901	**–**	–
The PRC	**15,692**	11,267	**1,179**	1,146
The United States of America	**10,469**	10,100	**–**	–
Other countries	**26,446**	26,545	**–**	–
Total	**82,738**	79,813	**1,179**	1,146
	128,711	131,418	**2,086**	1,862

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

(d) Information about major customers

For the year ended 31 March 2015, no individual customers accounted for 10% or more of the Group's revenue. For the year ended 31 March 2014, revenue from one customer of the Group's manufacturing business segment amounted to approximately HK$14,699,000 which represented 10% or more of the Group's revenue for that year.

3. LOSS BEFORE INCOME TAX EXPENSE

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

	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	**438**	418
Cost of inventories recognised as expenses	**105,904**	119,210
Staff costs, excluding directors' emoluments	**31,623**	17,956
Depreciation of property, plant and equipment	**848**	2,719
(Gain)/loss on disposal of property, plant and equipment	**(4)**	94
Impairment loss on property, plant and equipment	**–**	4,755
Impairment loss on trade receivables	**181**	17
Write-down of inventories	**1,839**	10,218
Impairment loss on available-for-sale investments	**280**	630
Foreign exchange loss/(gain), net	**112**	(1,044)
Interest income	**(4,595)**	(5,029)
Dividend income from available-for-sale investments	**(288)**	(221)
Gain on disposal of available-for-sale investments	**(177)**	(463)

4. INCOME TAX EXPENSE

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

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– overprovision in respect of prior years	**–**	(25)
Current tax – PRC Enterprise Income Tax		
– tax for the year	**698**	688
– overprovision in respect of prior years	**(148)**	(286)
	550	402
Income tax expense	**550**	377

No provision for Hong Kong Profits Tax has been made as the Group has sustained estimated tax losses for the years ended 31 March 2015 and 2014.

The PRC Enterprise Income Tax rate for the Company's subsidiaries in the PRC is 25% (2014: 25%).

5. 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$25,780,000 (2014: HK$38,866,000) attributable to owners of the Company and the weighted average number of 318,804,000 (2014: 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 2015 and 2014.

6. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade and bills receivables	**15,338**	18,266
Less: impairment loss	**(919)**	(738)
	14,419	17,528

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:

	2015	2014
	HK$'000	*HK$'000*
Less than 30 days	**8,558**	9,817
31 to 60 days	**3,140**	784
61 to 90 days	**885**	4,092
91 to 120 days	**311**	1,507
121 to 365 days	**1,522**	1,328
More than 365 days	**3**	–
	14,419	17,528

As at 31 March 2015, trade and bills receivables of approximately HK$10,189,000 (2014: HK$8,732,000) are neither past due nor impaired. Trade and bills receivables that are neither past due nor impaired related to customers for whom there is no recent history of default.

7. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Less than 30 days	**2,885**	5,149
31 to 60 days	**1,399**	1,943
61 to 90 days	**1,880**	892
91 to 120 days	**1,581**	322
121 to 365 days	**651**	154
More than 365 days	**76**	14
	8,472	8,474

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

(All the analysis below is based on the results of the Group for the year ended 31 March 2015 and the year ended 31 March 2014 for comparison purpose only)

For the year ended 31 March 2015, the Group's turnover decreased by approximately 2.1% from approximately HK$131,418,000 for the corresponding period in 2014 to approximately HK$128,711,000. Revenue from both manufacturing and retail business segments declined in the reporting year. Gross profit increased by approximately 86.8% from approximately HK$12,208,000 for the corresponding period in 2014 to approximately HK$22,807,000. Gross profit margin increased from approximately 9.3% for the corresponding period in 2014 to approximately 17.7%. This was mainly due to gross profit improved from both manufacturing and retail business segments.

Other income and gains decreased by approximately 22.6% from approximately HK$6,978,000 for the corresponding period in 2014 to approximately HK$5,401,000 which was mainly due to net foreign exchange loss of approximately HK$112,000 in the reporting year while net foreign exchange gain of approximately HK$1,044,000 for the corresponding period in 2014. Also, the decrease was mainly attributed to decrease in bank interest income in the reporting year.

Selling and distribution costs decreased by approximately 0.9% from approximately HK$24,081,000 for the corresponding period in 2014 to approximately HK$23,855,000 which was mainly due to lower sales reported in the reporting year. Administrative and other operating expenses increased by approximately 2.6% from approximately HK$28,839,000 for the corresponding period in 2014 to approximately HK$29,583,000 which was mainly due to the increase of staff cost in the reporting year.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$25,780,000 for the year ended 31 March 2015 (2014: approximately HK$38,866,000). Loss per share for the year ended 31 March 2015 was HK8.09 cents (2014: HK12.19 cents).

Business Review

During the year under review, the two business segments – manufacturing and retailing accounted for 76% (2014: 74%) and 24% (2014: 26%) of the Group total turnover respectively.

Manufacturing Business

For the year ended 31 March 2015, turnover of manufacturing business segment from external customers stayed at approximately HK$97,906,000 for the corresponding period in 2014 to approximately HK$97,199,000. This was mainly due to the decline in demand from Europe and Hong Kong market which was partly offset by increased in the People's Republic of China (the "PRC") market.

Geographically, sales to Europe decreased by approximately 5.5% from approximately HK$31,901,000 for the corresponding period in 2014 to approximately HK$30,131,000. Sales in Hong Kong decreased by approximately 20.1% from approximately HK$18,093,000 for the corresponding period in 2014 to approximately HK$14,461,000. Sales to the US stayed at approximately HK$10,100,000 for the corresponding period in 2014 to approximately HK$10,469,000. Sales in the PRC market increased by approximately 39.3% from approximately HK$11,267,000 for the corresponding period in 2014 to approximately HK$15,692,000. Apart from the major markets, sales to other countries including Australia, Japan, Canada, India, Korea, Singapore and Malaysia, etc. decreased by approximately 0.4% from approximately HK$26,545,000 for the corresponding period in 2014 to approximately HK$26,446,000.

In terms of product category, sales of belts decreased by approximately 8.5% to approximately HK$78,303,000 (2014: approximately HK$85,573,000) while sales of leather goods and other accessories increased by approximately 53.2% to approximately HK$18,896,000 (2014: approximately HK$12,333,000). In the reporting year, the Group endeavored to reduce the inventory level of raw materials in particular to consume the slow-moving cowhide leathers. However, the utilisation rate of production capacity remained low. Against the backdrop of tough operating environment, the Group's manufacturing business segment recorded an operating loss of approximately HK$25,949,000 (2014: approximately HK$35,362,000). This was mainly due to gross profit improved.

Retail Business

The Group's revenue from its retail business decreased by approximately 6.0% from approximately HK$33,512,000 for the corresponding period in 2014 to approximately HK$31,512,000. Hong Kong retail sales growth decelerated in the past year on the ground of weaker tourist spending and softening of domestic consumption. Market competition intensified as numerous fashion retailers offer earlier and greater sales discount in low season period. In the reporting year, sales of international footwear brand products dropped significantly as compared to last year. It was mainly due to sharp decline in demand and diminishing brand popularity in the market. The Group's in-house brand sales increased mildly on the ground that the Group altered the product mix by focusing on selling more fashion bags with high quality and creative design. The Group's in-house brand sales mainly "Urban Stranger" increased from approximately 68.0% of total retail sales for the corresponding period in 2014 to approximately 80.7%. Despite decrease in overall retail sales, the comparable same store sales increased approximately 10.8% against last year. Sales performance in traditional peak season period (Christmas and Lunar New Year) was disappointing. Gross profit margin increased to approximately 67.5% (2014: 51.0%) which was mainly due to in-house brand sales increased.

The overall shop rental to turnover ratio stayed at approximately 36.2% (2014: 35.3%). The staff cost to turnover ratio stayed at approximately 21.8% (2014: 20.8%).

As a consequence of lower sales, the retail business segment incurred a loss of approximately HK$3,208,000 as compared to approximately HK$7,368,000 for the corresponding period in 2014. During the reporting year, the Group closed three stores upon expiry of the tenancy and opened two new stores in Kowloon Bay and Tsuen Wan. As at 31 March 2015, the Group operated five (2014: six) AREA 0264 stores in Hong Kong.

Prospects

The global economic outlook for 2015/16 continues to remain uncertain. Manufacturing business continues to be rather sluggish in the near term. The immediate task is to achieve a turnaround in profitability. Despite the challenge ahead, the Group will continue to seek new business opportunities and endeavor to streamline the manufacturing process in order to improve operational efficiencies.

Retail business operating environment remains challenging in the view of slowdown of retail sales growth and increasing market competition in Hong Kong. Nevertheless, the Group's retail performance kept improving since late 2014. The Group opened three new stores since the year ended 31 March 2015 and will open two new stores in Causeway Bay and Tai Po during the Summer. The Group will continue to look for strategic location to expand its sales networks. Barring unforeseeable circumstances, the Group believes that the worst challenges are behind us and the Group's retail business will continue to improve in 2015/16.

DIVIDEND

In view of the losses incurred during the year, the Board does not recommend any payment of dividend for the year ended 31 March 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2015 the Group's cash and bank deposits were approximately HK$161,434,000 as compared to approximately HK$169,965,000 for the corresponding period in 2014.

At 31 March 2014, the Company issued a guarantee to a bank in respect of general facilities granted to its subsidiaries to the extent of HK$15,000,000, which had not been utilised by the subsidiaries. During the year ended 31 March 2015, the guarantee was released by the bank upon expiry of the general facilities.

The Group recorded total current assets of approximately HK$234,999,000 (2014: approximately HK$263,534,000) and total current liabilities of approximately HK$21,480,000 (2014: approximately HK$23,079,000). The decrease of total current assets was mainly due to the decrease in cash and bank deposits as a result of operating loss incurred in the reporting year. The current ratio of the Group, calculated by dividing the total currents assets by the total current liabilities, was approximately 11 times as at 31 March 2015 (2014: 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$226,356,000 (2014: approximately HK$250,356,000). The decrease was mainly attributable to operating loss incurred 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. The Group has significant exposure to foreign exchange fluctuation in RMB against HK$ at the end of reporting period. Foreign exchange forward contract can be used to eliminate the currency risk exposure. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGES ON ASSETS

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

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of subsidiaries for the year ended 31 March 2015.

HUMAN RESOURCES

As at 31 March 2015, the Group had approximately 93 employees in Hong Kong and approximately 399 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 Company issued guarantees to landlords in respect of the lease agreements entered into by a subsidiary for certain retail outlets. At 31 March 2015, there were no rental payables by the subsidiary under these lease agreements (2014: Nil) and the non-cancellable future minimum lease payment under these lease agreements was approximately HK$4,441,000 (2014: HK$6,258,000).

At 31 March 2014, the Company issued a guarantee to a bank in respect of general facilities granted to its subsidiaries to the extent of HK$15,000,000, which had not been utilised by the subsidiaries. During the year ended 31 March 2015, the guarantee was released by the bank upon expiry of the general facilities.

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 2015 except for the deviations from the Code Provisions A.1.8 and A.2.1 in respect of the arrangement of insurance cover of legal action against directors and the separation of roles of the chairman and chief executive officer respectively.

Under the Code Provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. 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. Under the Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Due to the small size of the existing management team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. Chan King Hong Edwin. The Board is of the view that Mr. Chan has considerable experience in manufacturing industry and is the person most knowledgeable about the business of the Group. 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 Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they fully complied with the required standards of the Model Code during the year ended 31 March 2015.

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.

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. Fong Pui Sheung David (Chairman), Ms. Chau Cynthia Sin Ha, and Mr. Or Kam Chung Janson. 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 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at, 3rd Floor, Victory Industrial Building, Nos. 151-157 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong on 4 September 2015 at 10:30 a.m. Notice of the annual general meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 2 September 2015 to 4 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 1 September 2015.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.irasia.com/listco/hk/chanco/index.htm) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 March 2015 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

On behalf of the Board
Chan King Hong Edwin
Chairman

Hong Kong, 30 June 2015

As at the date of this announcement, Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley, Ms. Chan Wai Po Rebecca are the executive directors of the Company, Mr. Fong Pui Sheung David MH, Ms. Chau Cynthia Sin Ha JP and Mr. Or Kam Chung Janson are the independent non-executive directors of the Company.