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 2014

The Board of Directors of Chanco International Group Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Turnover	*2*	**131,418**	187,561
Cost of sales		**(119,210)**	(136,205)
Gross profit		**12,208**	51,356
Other income and gains		**6,978**	4,923
Selling and distribution costs		**(24,081)**	(27,374)
Administrative and other operating expenses		**(28,839)**	(30,131)
Impairment loss on property, plant and equipment		**(4,755)**	–
Loss before income tax expense	*3*	**(38,489)**	(1,226)
Income tax expense	*4*	**(377)**	(1,343)

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company		**(38,866)**	(2,569)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**(26)**	719
Exchange differences arising on translation of financial statements of operations outside Hong Kong		**644**	319
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments		**(463)**	–
Reclassification from equity to profit or loss on impairment of available-for-sale investments		**630**	–
Other comprehensive income for the year		**785**	1,038
Total comprehensive income for the year attributable to owners of the Company		**(38,081)**	(1,531)
Loss per share	*5*		
– Basic		**(HK12.19 cents)**	(HK0.81 cents)
– Diluted		**(HK12.19 cents)**	(HK0.81 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**1,862**	7,456
Available-for-sale investments		**6,985**	6,068
Bank deposit with original maturity of over one year		**–**	9,294
Rental deposits		**1,115**	3,224
		9,962	26,042
Current assets			
Inventories		**69,025**	74,638
Trade and bills receivables	6	**17,528**	12,460
Other receivables, deposits and prepayments		**6,884**	5,401
Tax recoverable		**132**	123
Held-to-maturity investment		**–**	1,524
Bank deposit with original maturity of over one year		**9,434**	–
Cash and cash equivalents		**160,531**	188,764
		263,534	282,910
Current liabilities			
Trade payables	7	**8,474**	5,712
Other payables and accrued charges		**14,304**	14,071
Current tax liabilities		**301**	671
		23,079	20,454
Net current assets		**240,455**	262,456
Total assets less current liabilities		**250,417**	288,498
Non-current liabilities			
Deferred tax liabilities		**61**	61
Total net assets		**250,356**	288,437
Capital and reserves attributable to owners of the Company			
Share capital		**3,188**	3,188
Reserves		**247,168**	285,249
Total equity		**250,356**	288,437

Note:

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

(a) Adoption of new/revised HKFRSs – first effective on 1 April 2013

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 "Fair Value Measurement" was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 March 2014. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

The adoption of HKFRS 10 does not have any material impact on the Group's financial position or performance.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

(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.

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
HKFRS 9	Financial Instruments[5]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

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

HKAS 16 and HKAS 38 establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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.

The Group is in the process of making an assessment of the potential impact of these pronouncements. 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.

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	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**97,906**	134,773	**33,512**	52,788	**131,418**	187,561
Inter-segment revenue	**3,799**	2,684	**–**	3	**3,799**	2,687
Reportable segment revenue	**101,705**	137,457	**33,512**	52,791	**135,217**	190,248
Reportable segment (loss)/profit	**(35,362)**	(5,462)	**(7,368)**	580	**(42,730)**	(4,882)
Depreciation of property, plant and equipment	**1,627**	772	**712**	1,359	**2,339**	2,131
Impairment loss on property, plant and equipment	**2,798**	–	**1,002**	–	**3,800**	–
Write-down of inventories	**7,505**	101	**2,713**	297	**10,218**	398
Reportable segment assets	**142,240**	157,236	**15,826**	27,848	**158,066**	185,084
Additions to property, plant and equipment	**1,443**	506	**91**	1,499	**1,534**	2,005
Reportable segment liabilities	**21,855**	18,434	**880**	1,317	**22,735**	19,751

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**135,217**	190,248
Elimination of inter-segment revenue	**(3,799)**	(2,687)
Consolidated revenue	**131,418**	187,561
Loss before income tax expense		
Reportable segment loss	**(42,730)**	(4,882)
Elimination of inter-segment losses	**245**	106
Interest income	**5,029**	4,365
Dividend income from available-for-sale investments	**221**	195
Gain on disposal of available-for-sale investments	**463**	–
Impairment loss on available-for-sale investments	**(630)**	–
Unallocated other income and gains	**–**	39
Unallocated corporate expenses	**(1,087)**	(1,049)
Consolidated loss before income tax expense	**(38,489)**	(1,226)

	2014 *HK$'000*	2013 *HK$'000*
Depreciation of property, plant and equipment		
Reportable segment depreciation	**2,339**	2,131
Depreciation of unallocated property, plant and equipment	**380**	297
Consolidated depreciation of property, plant and equipment	**2,719**	2,428
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**	–
Additions to property, plant and equipment		
Reportable segment additions	**1,534**	2,005
Unallocated additions to property, plant and equipment	**433**	6
Consolidated additions to property, plant and equipment	**1,967**	2,011
Assets		
Reportable segment assets	**158,066**	185,084
Available-for-sale investments	**6,985**	6,068
Held-to-maturity investment	**–**	1,524
Tax recoverable	**132**	123
Unallocated corporate cash and cash equivalents	**107,489**	114,457
Other unallocated corporate assets	**824**	1,696
Consolidated total assets	**273,496**	308,952
Liabilities		
Reportable segment liabilities	**22,735**	19,751
Current tax liabilities	**301**	671
Deferred tax liabilities	**61**	61
Unallocated corporate liabilities	**43**	32
Consolidated total liabilities	**23,140**	20,515

(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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**51,605**	69,744	**716**	3,323
Europe	**31,901**	49,328	**–**	–
The PRC	**11,267**	17,142	**1,146**	4,133
The United States of America	**10,100**	19,252	**–**	–
Other countries	**26,545**	32,095	**–**	–
Total	**79,813**	117,817	**1,146**	4,133
	131,418	187,561	**1,862**	7,456

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

(d) Information about major customers

Revenue from one customer of the Group's manufacturing business segment amounted to approximately HK$14,699,000 (2013: HK$21,507,000) which represents 10% or more of the Group's revenue for the year.

3. LOSS BEFORE INCOME TAX EXPENSE

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

	2014	2013
	HK$'000	*HK$'000*
Auditor's remuneration	**418**	444
Cost of inventories recognised as expenses	**119,210**	136,205
Staff costs, excluding directors' emoluments	**17,956**	20,564
Depreciation of property, plant and equipment	**2,719**	2,428
Loss on disposal of property, plant and equipment	**94**	103
Impairment loss on property, plant and equipment	**4,755**	–
Impairment loss on trade receivables	**17**	126
Write-down of inventories	**10,218**	398
Impairment loss on available-for-sale investments	**630**	–
Foreign exchange gain, net	**(1,044)**	(109)
Interest income	**(5,029)**	(4,365)
Dividend income from available-for-sale investments	**(221)**	(195)
Gain on disposal of available-for-sale investments	**(463)**	–

4. INCOME TAX EXPENSE

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

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– tax for the year	**–**	196
– overprovision in respect of prior years	**(25)**	(98)
	(25)	98
Current tax – PRC Enterprise Income Tax		
– tax for the year	**688**	1,245
– overprovision in respect of prior years	**(286)**	–
	402	1,245
Income tax expense	**377**	1,343

No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2014 as the Group has sustained estimated tax losses for the year. Provision for Hong Kong Profits Tax for the year ended 31 March 2013 was calculated at 16.5% on the estimated assessable profits for that year.

The PRC Enterprise Income Tax rate for the Company's subsidiary in the PRC is 25% (2013: 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$38,866,000 (2013: HK$2,569,000) attributable to owners of the Company and the weighted average number of 318,804,000 (2013: 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 exercise prices of those options are higher than the average market price for shares for both years ended 31 March 2014 and 2013.

6. TRADE AND BILLS RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade and bills receivables	**18,266**	13,184
Less: impairment loss	**(738)**	(724)
	17,528	12,460

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:

	2014	2013
	HK$'000	*HK$'000*
Less than 30 days	**9,817**	6,743
31 to 60 days	**784**	1,474
61 to 90 days	**4,092**	2,120
91 to 120 days	**1,507**	595
121 to 365 days	**1,328**	1,430
More than 365 days	**–**	98
	17,528	12,460

As at 31 March 2014, trade and bills receivables of approximately HK$8,732,000 (2013: HK$5,996,000) 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:

	2014	2013
	HK$'000	*HK$'000*
Less than 30 days	**5,149**	2,342
31 to 60 days	**1,943**	1,382
61 to 90 days	**892**	1,065
91 to 120 days	**322**	8
121 to 365 days	**154**	634
More than 365 days	**14**	281
	8,474	5,712

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

(All the analysis below is based on the results of the Group for the year ended 31 March 2014 and the year ended 31 March 2013 for comparison purpose only)

The Group recorded lower turnover of approximately HK$131,418,000, down around 30% from approximately HK$187,561,000 for the financial year ended 31 March 2013. Revenue from both manufacturing and retail business segments declined in the reporting year. Due to lower turnover, gross profit was approximately HK$12,208,000, down 76% from approximately HK$51,356,000 in the financial year 2012/13. Gross profit margin decreased from around 27% to around 9%. This was mainly due to gross loss incurred from the Group's manufacturing business.

Other income and gains increased from approximately HK$4,923,000 to approximately HK$6,978,000 which was mainly due to the increase in bank interest income, the gain on disposal of available-for-sales investments in the financial year 2013/14 and increase in net foreign exchange gain in the reporting year.

Selling and distribution costs decreased from approximately HK$27,374,000 to approximately HK$24,081,000. This was mainly due to the decrease in rental expenses from closure of store and decrease in depreciation expenses in relation to the Group's retail business. Selling and distribution expenses in relation to manufacturing business also decreased in tandem with lower sales reported in the financial year 2013/14. Administrative and other operating expenses decreased from approximately HK$30,131,000 to approximately HK$28,839,000. The decrease was mainly due to the reduction of staff cost through downsizing and reversal of previous years overprovision of long service payment.

As at 31 March 2014, the Group's manufacturing business has been experiencing recurring losses due to decline in demand from overseas markets, and the Group's retail business has sustained loss for the year due to increase in competition and diminishing brand popularity of certain international brand products. Management considered there were impairment indicators and hence conducted impairment assessment on the Group's property, plant and equipment. Accordingly, impairment loss of approximately HK$4,755,000 had been recognised.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$38,866,000 for the year ended 31 March 2014 (2013: approximately HK$2,569,000). Loss per share for the year ended 31 March 2014 was HK12.19 cents (2013: 0.81 cents).

Business Review

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

Manufacturing Business

For the year ended 31 March 2014, turnover of manufacturing business segment from external customers decreased around 27% from approximately HK$134,773,000 to approximately HK$97,906,000. This was mainly due to decline in demand from overseas market.

Geographically, sales to Europe decreased from approximately HK$49,328,000 to approximately HK$31,901,000. Sales to the U.S. decreased from approximately HK$19,252,000 to approximately HK$10,100,000. Sales in Hong Kong increased from approximately HK$16,956,000 to approximately HK$18,093,000. Sales in the PRC market decreased from approximately HK$17,142,000 to approximately HK$11,267,000. Apart from the major markets, sales to other countries including Australia, Japan, Canada, India, Korea, Singapore and Malaysia, etc. decreased from approximately HK$32,095,000 to approximately HK$26,545,000. This was mainly due to the decrease in sales to Australia, Malaysia, Singapore and other Asian countries.

In terms of product category, sales of belts decreased to approximately HK$85,573,000 (2013: approximately HK$122,312,000) and sales of leather goods and other accessories stayed at approximately HK$12,333,000 (2013: approximately HK$12,461,000). In the reporting year, the manufacturing segment incurred gross loss and gross loss margin was around 5% as compared to gross profit margin of around 18% in the financial year 2012/13. Against the backdrop of a challenging operating environment, the manufacturing segment reported a loss of approximately HK$35,362,000 as compared to approximately HK$5,462,000 in the financial year 2012/13. The increase in loss was mainly attributable to significant decline in demand from overseas market, low utilization of production capacity, rising labor cost, increase in rental expenses of the production plant in Dongguan, write-down of inventories of approximately HK$7,505,000 and provision for impairment loss on property, plant and equipment of approximately HK$2,798,000.

The Group has incorporated a subsidiary company known as 東莞思捷皮具有限公司 ("Dongguan Sze Cheik"), a wholly foreign owned enterprise with limited liability in June 2013. The objective of establishing Dongguan Sze Cheik is to upgrade and transform the Group's processing factory in Dongguan into wholly foreign owned enterprise with legal person status as encouraged by the local government in the PRC. Dongguan Sze Cheik will be responsible for the production of leatherware products export from the PRC to the Group's customers in Hong Kong and overseas. Dongguan Sze Cheik had not yet commenced business before 31 March 2014 on the ground of the delay in completion of various procedures. Despite the delay, the Group's manufacturing business had not been interrupted. Up to the date of this report, Dongguan Sze Cheik is ready to commence business. The Group will gradually transfer the production activities from processing factory to Dongguan Sze Cheik until the end of 2014.

Retail Business

The Group's revenue from its retail business decreased around 36% from approximately HK$52,788,000 to approximately HK$33,512,000. 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 its product mix by focusing on selling more fashion bags with high quality and creative design in the second half of the financial year 2013/14. The Group's in-house brand sales mainly "Urban Stranger" accounted for around 68% of total retail sales as compared to around 40% of last year. Despite increase in sales of in-house brand products, the comparable same store sales decreased around 32% against last year. Sales performance in traditional peak season period (Christmas and Lunar New Year) was disappointing. In view of slowdown of retail sales and continuing loss, the Group had made net provision for slow moving inventories of approximately HK$2,713,000 and provision for impairment loss on property, plant and equipment of approximately HK$1,002,000. Gross profit margin stayed at around 51% (2013: 51%).

The overall shop rental to turnover ratio increased by 11 percentage points to approximately 35% (2013: 24%). This was mainly due to the lower sales and increase in rental after renewal of tenancy in the reporting year. The staff cost reduced as a result of the decrease in number of sales staff in the reporting year.

As a consequence of the above, the retail business segment incurred a loss of approximately HK$7,368,000 as compared to profit of approximately HK$580,000 last year. During the reporting year, the Group closed one underperforming store upon expiry of the tenancy. As at 31 March 2014, the Group operated six AREA 0264 stores in Hong Kong.

Prospects

The global economic outlook for 2014 continues to remain uncertain. Manufacturing business continues to be rather sluggish in the near term. The immediate task of the Group is to achieve a turnaround in its 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. Sales performance in the first two months of the financial year 2014/15 is below the management expectation. The Group will continue to rationalize and optimize its store location. The Group will open one new store in July and close underperforming stores upon expiry of tenancy. Despite these challenge ahead, the Group will continue its efforts to monitor the greater and fast-changing market closely and make proactive refinements on the business strategy. The Group will also continue to optimize the product mix in its stores and focus on marketing in-house brand products with creative design and premium quality.

DIVIDEND

In view of the losses incurred during the year, the Board does not recommend any payment of dividend for the financial year ended 31 March 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2014 the Group's cash and bank deposits were approximately HK$169,965,000 as compared to approximately HK$198,058,000 as at 31 March 2013.

As at 31 March 2014, the Group had aggregate banking facilities in respect of import/export facilities of approximately HK$15,000,000 which were secured by corporate guarantees provided by the Company.

The Group recorded a decrease of total current assets from approximately HK$282,910,000 as at 31 March 2013 to approximately HK$263,534,000 as at 31 March 2014 and an increase of total current liabilities from approximately HK$20,454,000 as at 31 March 2013 to approximately HK$23,079,000 31 March 2014. The decrease of total current asset was mainly due to the decrease in cash and bank deposits as a result of operating loss incurred and provision for impairment loss on inventories in the reporting year. The increase of total current liability was mainly due to the increase in trade payables as a result of increase of purchase of raw material just before the year end. 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 2014 (31 March 2013: 14 times).

In view of its strong financial position and liquidity, the Group did not raise any bank loan during the year.

The Group recorded a decrease in shareholders' funds from approximately HK$288,437,000 as at 31 March 2013 to approximately HK$250,356,000 as at 31 March 2014. 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$"), US dollars ("USD"), Renminbi ("RMB") and Euro. Transactions of the Group are mainly denominated in HK$, USD, RMB and Euro. 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 and Euro 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 ACQUISITIONS/DISPOSALS

The Group had no material acquisitions/disposals for the year ended 31 March 2014.

HUMAN RESOURCES

As at 31 March 2014, the Group had around 114 employees in Hong Kong and the PRC and the processing factory, an independent third party with which the Group has entered into a processing agreement, had around 533 workers. 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

At 31 March 2014, the Company issued a guarantee to banks in respect of general facilities granted to its subsidiaries to the extent of HK$15,000,000 (2013: HK$15,000,000) and the facilities have not been utilised by the subsidiaries (2013: Nil). The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and its transaction price was nil.

In addition, the Company issued guarantees to landlords in respect of the lease agreements entered into by a subsidiary for certain retail outlets. At 31 March 2014, there were no rental payables by the subsidiary under these lease agreements (2013: Nil) and the non-cancellable future minimum lease payment under these lease agreements was approximately HK$6,258,000 (2013: HK$8,652,000).

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 2014 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. 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 2014.

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 2014.

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 5 September 2014 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 3 September 2014 to 5 September 2014, 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 2 September 2014.

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 2014 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 2014 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, 27 June 2014

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.