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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 2016

The board (the "Board") of directors (the "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 2016 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	2	**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		**(1,660)**	–
Loss before income tax expense	3	**(26,231)**	(25,230)
Income tax expense	4	**(1,821)**	(550)
Loss for the year attributable to owners of the Company		**(28,052)**	(25,780)

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
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	*5*		
– 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		**1,254**	2,086
Available-for-sale investments		**–**	8,236
Rental deposits		**4,478**	2,576
		5,732	12,898
Current assets			
Inventories		**40,488**	50,623
Trade and bills receivables	*6*	**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	*7*	**6,285**	8,472
Other payables and accrued charges		**11,494**	13,008
Amount due to a fellow subsidiary		**11**	–
Amount due to an intermediate holding company		**590**	–
		18,380	21,480
Net current assets		**56,494**	213,519
Total assets less current liabilities		**62,226**	226,417
Non-current liabilities			
Deferred tax liabilities		**61**	61
Total net assets		**62,165**	226,356
Capital and reserves attributable to owners of the Company			
Share capital		**3,479**	3,188
Reserves		**58,686**	223,168
Total equity		**62,165**	226,356

Note:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND THE AMENDED RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED ("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.

(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").

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.

(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.

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	
	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

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

	2016	2015
	HK$'000	*HK$'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.

(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	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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.

3. LOSS BEFORE INCOME TAX EXPENSE

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

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**580**	438
Cost of inventories recognised as expenses	**96,590**	105,904
Employee costs, excluding directors' emoluments	**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)

4. 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.

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$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.

6. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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

7. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'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

8. DIVIDENDS

	2016	2015
	HK$'000	*HK$'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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 respectively. 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 from 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 enlarged 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.

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 results 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 SHARHOLDERS

On 14 July 2015, the former substantial shareholders, 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 ("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 ("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 then held and hold approximately 34.51% and 26.55% of the issued shares of Zhonghong on 30 October 2015 and the date of this announcement, 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.

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.

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 the payment of interim or final dividends for the year ended 31 March 2016.

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 currents 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$"), US dollars ("USD") and RMB. Transactions of the Group are mainly denominated in HK$, 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 other components 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.

CHARGE 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.

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 "中璽國際控股有限公司" 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. Further announcement will be made by the Company upon the completion of the change of company name.

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 endeavouring 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 risk resilience of the Company.

After Zhonghong and Zhurong became the controlling shareholder 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.

CORPORATE GOVERNANCE

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

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. With effective from 10 May 2016, the Company arranged appropriate insurance cover for Directors' and officers' liabilities.

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 of the Company 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 from 23 December 2015. The Board is of the view that given the small size of the existing management team, either Mr. Chan King Hong or Mr. Wu David Hang has considerable experience in business development 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 the Group. During the year 31 March 2016, there have been changes of Chairman and Chief Executive Officer of the Company 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

Following the resignation of Mr. Chan King Hong Edwin, as the Chairman and Chief Executive Officer on 21 September 2015, the Company does not have the Chairman of the Board, and hence 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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. 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held in Hong Kong on Monday, 5 September 2016 at 11:00 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 Thursday, 1 September 2016 to Monday, 5 September 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, 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 Wednesday, 31 August 2016.

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 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

COMPETING INTERESTS

None of the Directors or substantial shareholders of the Company or their respective close associates (as defined in the Listing Rules) has any interest in a business which competes or might compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained a sufficient public float of more than 25% of the Company's issued share as required under the Listing Rules throughout the year ended 31 March 2016 and up to the date of this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.irasia.com/listco/hk/chanco/index.htm) and the Stock Exchange (www.hkex.com.hk). An annual report for the year ended 31 March 2016 containing all the information required by the Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

On behalf of the Board
Wu David Hang
Chairman

Hong Kong, 30 June 2016

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wu David Hang and Mr. Hou Jian; and three independent non-executive Directors, namely Mr. Wong Yik Chung John, Mr. Ernst Rudolf Zimmermann and Mr. Ng Man Fai, Matthew.