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 2013

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 2013 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Turnover	*2*	**187,561**	196,001
Cost of sales		**(136,205)**	(135,259)
Gross profit		**51,356**	60,742
Other income and gains		**4,923**	6,314
Selling and distribution costs		**(27,374)**	(27,792)
Administrative and other operating expenses		**(30,131)**	(30,791)
(Loss)/profit before income tax expense	*3*	**(1,226)**	8,473
Income tax expense	*4*	**(1,343)**	(1,493)
(Loss)/profit for the year attributable to owners of the Company		**(2,569)**	6,980
Other comprehensive income			
Change in fair value of available-for-sale investments		**719**	(1,060)
Exchange differences arising on translation of financial statements of operations outside Hong Kong		**319**	1,190
Other comprehensive income for the year		**1,038**	130
Total comprehensive income for the year attributable to owners of the Company		**(1,531)**	7,110
(Loss)/earnings per share	*5*		
– Basic		**(HK0.81 cents)**	HK2.19 cents
– Diluted		**(HK0.81 cents)**	HK2.19 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**7,456**	7,973
Available-for-sale investments		**6,068**	5,349
Held-to-maturity investment		**–**	1,524
Bank deposit with maturity after one year		**9,294**	–
Rental deposits		**3,224**	2,403
		26,042	17,249
Current assets			
Inventories		**74,638**	86,097
Trade and bills receivables	*6*	**12,460**	25,034
Other receivables, deposits and prepayments		**5,401**	3,186
Tax recoverable		**123**	900
Held-to-maturity investment		**1,524**	–
Structured bank deposit		**–**	5,536
Cash and cash equivalents		**188,764**	180,597
		282,910	301,350
Current liabilities			
Trade payables	*7*	**5,712**	11,131
Other payables and accrued charges		**14,071**	15,832
Current tax liabilities		**671**	555
		20,454	27,518
Net current assets		**262,456**	273,832
Total assets less current liabilities		**288,498**	291,081
Non-current liabilities			
Deferred tax liabilities		**61**	61
Total net assets		**288,437**	291,020
Capital and reserves attributable to owners of the Company			
Share capital		**3,188**	3,188
Reserves		**285,249**	287,832
Total equity		**288,437**	291,020

Note:

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

(a) Adoption of amendments to HKFRSs – first effective on 1 April 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments 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 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 19 (2011)	Employee Benefits[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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 (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

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.

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 implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures 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.

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 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs 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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**134,773**	141,503	**52,788**	54,498	**187,561**	196,001
Inter-segment revenue	**2,684**	3,079	**3**	13	**2,687**	3,092
Reportable segment revenue	**137,457**	144,582	**52,791**	54,511	**190,248**	199,093
Reportable segment (loss)/profit	**(5,462)**	3,520	**580**	2,065	**(4,882)**	5,585
Depreciation of property, plant and equipment	**772**	776	**1,359**	905	**2,131**	1,681
Reportable segment assets	**157,236**	147,225	**27,848**	38,894	**185,084**	186,119
Additions to property, plant and equipment	**506**	37	**1,499**	1,696	**2,005**	1,733
Reportable segment liabilities	**18,434**	23,584	**1,317**	3,338	**19,751**	26,922

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**190,248**	199,093
Elimination of inter-segment revenue	**(2,687)**	(3,092)
Consolidated revenue	**187,561**	196,001
(Loss)/profit before income tax expense		
Reportable segment (loss)/profit	**(4,882)**	5,585
Elimination of inter-segment losses/(profits)	**106**	(97)
Interest income	**4,365**	3,308
Dividend income from available-for-sale investments	**195**	194
Unallocated other income and gains	**39**	516
Unallocated corporate expenses	**(1,049)**	(1,033)
Consolidated (loss)/profit before income tax expense	**(1,226)**	8,473
Depreciation of property, plant and equipment		
Reportable segment depreciation	**2,131**	1,681
Depreciation of unallocated property, plant and equipment	**297**	380
Consolidated depreciation of property, plant and equipment	**2,428**	2,061

	2013	2012
	HK$'000	*HK$'000*
Additions to property, plant and equipment		
Reportable segment additions	**2,005**	1,733
Unallocated additions to property, plant and equipment	**6**	83
Consolidated additions to property, plant and equipment	**2,011**	1,816
Assets		
Reportable segment assets	**185,084**	186,119
Available-for-sale investments	**6,068**	5,349
Held-to-maturity investment	**1,524**	1,524
Tax recoverable	**123**	900
Unallocated corporate cash and cash equivalents	**114,457**	122,753
Other unallocated corporate assets	**1,696**	1,954
Consolidated total assets	**308,952**	318,599
Liabilities		
Reportable segment liabilities	**19,751**	26,922
Current tax liabilities	**671**	555
Deferred tax liabilities	**61**	61
Unallocated corporate liabilities	**32**	41
Consolidated total liabilities	**20,515**	27,579

(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**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**69,744**	71,925	**3,323**	3,542
Europe	**49,328**	53,395	**–**	–
The United States of America	**19,252**	16,638	**–**	–
PRC	**17,142**	17,361	**4,133**	4,431
Other countries	**32,095**	36,682	**–**	–
Total	**117,817**	124,076	**4,133**	4,431
	187,561	196,001	**7,456**	7,973

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$21,507,000 (HK$19,983,000) which represents 10% or more of the Group's revenue for the year.

3. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	**444**	447
Cost of inventories recognised as expenses	**136,205**	135,259
Staff costs, excluding directors' emoluments	**20,564**	20,623
Depreciation of property, plant and equipment	**2,428**	2,061
Loss on disposal of property, plant and equipment	**103**	208
Impairment loss on trade receivables	**126**	11
Write-down of inventories	**398**	695
Foreign exchange gain, net	**(109)**	(2,647)
Interest income	**(4,365)**	(3,308)
Dividend income from available-for-sale investments	**(195)**	(194)

4. INCOME TAX EXPENSE

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

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– tax for the year	**196**	349
– overprovision in respect of prior years	**(98)**	(71)
	98	278
Current tax – PRC Enterprise Income Tax		
– tax for the year	**1,245**	1,277
Deferred tax		
– current year	**–**	(62)
Income tax expense	**1,343**	1,493

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

The PRC Enterprise Income Tax rate for the Company's subsidiary in the PRC is 25% (2012: 25%).

5. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the Group's loss for the year of approximately HK$2,569,000 (2012: profit of HK$6,980,000) attributable to owners of the Company and the weighted average number of 318,804,000 (2012: 318,804,000) ordinary shares in issue during the year.

The computation of diluted (loss)/earnings 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 2013 and 2012.

6. TRADE AND BILLS RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables	**13,184**	25,632
Less: impairment loss	**(724)**	(598)
	12,460	25,034

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:

	2013	2012
	HK$'000	*HK$'000*
Less than 30 days	**6,743**	16,504
31 to 60 days	**1,474**	2,788
61 to 90 days	**2,120**	2,560
91 to 120 days	**595**	760
121 to 365 days	**1,430**	2,334
More than 365 days	**98**	88
	12,460	25,034

7. TRADE PAYABLES

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

	2013	2012
	HK$'000	*HK$'000*
Less than 30 days	**2,342**	7,234
31 to 60 days	**1,382**	2,745
61 to 90 days	**1,065**	181
91 to 120 days	**8**	377
121 to 365 days	**634**	497
More than 365 days	**281**	97
	5,712	11,131

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

(All the analysis below is based on the results of the Group for the year ended 31 March 2013 and the year ended 31 March 2012 for comparison purpose only)

For the year ended 31 March 2013, the Group recorded a lower turnover of HK$187,561,000 as compared to HK$196,001,000 for the year ended 31 March 2012. There was a general decrease in demand from overseas market during the reporting year, resulting in lower turnover in manufacturing business segment. The lower turnover was also attributable to the slight decline in revenue from retail business segment. The Group's gross profit decreased from approximately HK$60,742,000 in financial year 2012 to approximately HK$51,356,000 in financial year 2013. Gross profit margin decreased from around 31% to around 27%. This was mainly due to the decrease in gross profit margin of manufacturing business arising from the increase of raw material cost and production cost in the PRC.

Other income and gains decreased from approximately HK$6,314,000 to approximately HK$4,923,000 which was mainly due to the decrease in net foreign exchange gain recognized in the year. The decrease of net foreign exchange gain was partially offset by the increase in interest income by around HK$1,057,000.

Selling and distribution costs decreased slightly from approximately HK$27,792,000 to approximately HK$27,374,000. This was mainly due to the decrease in rental expenses in relation to the Group's retail business. Administrative and other operating expenses decreased slightly from approximately HK$30,791,000 to approximately HK$30,131,000. The decrease was mainly due to the reduction of staff cost through downsizing and the decrease in directors' bonus paid for the year.

In view of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$2,569,000 for the year ended 31 March 2013 as compared to net profit of HK$6,980,000 for the year ended 31 March 2012.

Business Review

During the year under review, the two business segments – manufacturing and retailing accounted for 72% and 28% of the Group total turnover respectively.

Manufacturing Business

For the year ended 31 March 2013, turnover of manufacturing business segment from external customers decreased by around 5% to approximately HK$134,773,000. The decrease in turnover was mainly due to the decrease in sales to Europe and Asian countries. The lower turnover reflects the continued weak and unstable market demand in global.

Geographically, sales to Europe decreased from approximately HK$53,395,000 to approximately HK$49,328,000. Market demands in Europe remained unstable and volatile during the reporting year. Sales to the U.S. increased from approximately HK$16,638,000 to approximately HK$19,252,000. Sales in Hong Kong decreased from approximately HK$17,427,000 to approximately HK$16,956,000. Sales in the PRC market decreased slightly from approximately HK$17,361,000 to approximately HK$17,142,000. Apart from the major markets, sales to other countries including Australia, Japan, Canada, India, Korea, Singapore and Malaysia, etc. decreased from approximately HK$36,682,000 to approximately HK$32,095,000. This was mainly due to the decrease in sales to Malaysia and Japan.

In terms of product category, sales of belts decreased to approximately HK$122,312,000 (2012: approximately HK$123,688,000) and sales of leather goods and other accessories decreased to approximately HK$12,461,000 (2012: approximately HK$17,815,000). Gross profit margin decreased from around 22% to around 18% which was mainly due to an increase in raw material cost including cowhide leather and hardware accessories and increase in labor cost in the reporting year. Lower factory utilization continued to affect the gross margin adversely. As a result of continued pressure on our profit margin, the manufacturing business segment incurred an operating loss of approximately HK$5,462,000 in the reporting year.

Retail Business

Retail sales for the year ended 31 March 2013 decreased by around 3% from approximately HK$54,498,000 to approximately HK$52,788,000. The ongoing global economic uncertainty and the slowdown of growth in the Mainland China affected the retail market in Hong Kong in the past year. The pace of retail sales growth was decelerated, especially in the first quarter the financial year. Sales performance in traditional peak season period (Christmas and Lunar New Year) was disappointing as compared to the same period last year. The under-performance was mainly due to increasing price competition in the market and lower customer spending. Same store sales decreased around 16% against same period last year. The Group's in-house brand sales mainly "Urban Stranger" for the reporting year decreased by around 6% as a result of decrease in sales of apparel products. Sales of In-house brand products represented around 40% of total retail sales for the year. Sales of international footwear brands grew slightly as a result of special discount offered in the reporting year.

Gross profit margin went down to around 51% (2012: around 52%), which was mainly due to greater sales discount offered in the reporting year. The overall shop rental to turnover ratio decreased to around 24% (2012: 25%). Staff cost was higher than that of last year as a result of an increase in number of sales staff for new stores and increase in staff salaries in the reporting year.

As a consequence of lower sales and profit margin and increase in staff cost, the segmental profit for the year decreased from approximately HK$2,065,000 to approximately HK$580,000. In the year under review, the Group opened two new stores in shopping malls and closed one store upon expiry of tenancy. As at 31 March 2013, the Group operated seven AREA 0264 stores in Hong Kong.

Prospects

Moving forward, global manufacturers will continue to suffer from weak demand from developed economies for a period of time. In view of uncertain market conditions, we will continue to pursue cautious and prudent business strategies through the tough times. We will focus our effort on securing new customers with great business growth potential.

An expansionary economic policy adopted in advanced economies may trigger a stronger recovery in growth in the course of the next few years. In the medium term, we are confident in our ability to deliver positive results along with solid growth and strong recovery of the global demand in future.

In addition, the Group's processing factory in Dongguan is undergoing to upgrade and transform into wholly foreignowned enterprise with legal person status as encouraged by the local government in Dongguan. During the process of transformation, production in the processing factory will not be interrupted. The transformation of processing factory is expected to be completed before the end of 2013.

Looking ahead in 2013, the retail business will remain challenging in the view of slowdown of retail sales growth and consumer spending and increasing market competition. Sales performance in the first two months of the financial year 2013/14 is far below the management expectation. Sales of international footwear brand products dropped significantly as compared to same period last year. Price competition is increasing as numerous fashion retailers offer earlier and greater sales discount in low season period. In the coming year, we will continue our efforts to monitor the greater competitive and fast-changing market closely and make proactive refinements on the business strategy. We will close one underperforming store upon expiry of tenancy at the end of June. We have put our expansion plan on hold and will maintain around six stores over the next year. We will stay focus on alternation of the brand mix and optimize the product mix in our stores and continue our disciplined inventory management policy. We will also devote more resource to strengthen our brand image and reinforce our brand equity in the market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2013 the Group's cash and bank deposits were approximately HK$198,058,000 as compared to approximately HK$180,597,000 as at 31 March 2012.

As at 31 March 2013, 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$301,350,000 as at 31 March 2012 to approximately HK$282,910,000 as at 31 March 2013 and a decrease of total current liabilities from approximately HK$27,518,000 as at 31 March 2012 to approximately HK$20,454,000 as at 31 March 2013. The decrease of total current asset was mainly due to the decrease in retail inventories and decrease in trade and bills receivables as a result of a decrease in sales before the year end as compared to same period last year. The decrease of total current liability was mainly due to the decrease in trade payables which was in line with the decrease in purchase during the reporting year. The current ratio of the Group, calculated by dividing the total currents assets by the total current liabilities, was approximately 14 times as at 31 March 2013 (31 March 2012: 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 a decrease in shareholders' funds from approximately HK$291,020,000 as at 31 March 2012 to approximately HK$288,437,000 as at 31 March 2013. The decrease was mainly attributable to operating loss incurred and interim dividend declared 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 2013.

HUMAN RESOURCES

As at 31 March 2013, the Group had around 122 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 649 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

The Company issued guarantees to landlords in respect of the lease agreements entered into by a subsidiary for certain retail outlets. At 31 March 2013, there were no rental payables by the subsidiary under these lease agreements (2012: nil) and the non-cancellable future minimum lease payment under these lease agreements was approximately HK$8,652,000 (2012: HK$8,942,000).

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised 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") and came into full effect on 1 April 2012.

The Company has complied with the Code Provisions as set out in the Revised CG Code during the year ended 31 March 2013 except for the deviations from the Code Provision A2.1 in respect of the separation of roles of the chairman and chief executive officer. 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 2013.

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 2013.

DIVIDEND

The Board does not recommend any payment of final dividend for the financial year ended 31 March 2013 at the forthcoming annual general meeting of the Company.

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 21 August 2013 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 16 August 2013 to 21 August 2013, 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 15 August 2013.

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 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited 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.

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.

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 2013 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.

On behalf of the Board
Chan King Hong Edwin
Chairman

Hong Kong, 27 June 2013

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.