



CHANCO INTERNATIONAL GROUP LIMITED

卓高國際集團有限公司
(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0264)

The Premier

DESIGNER &

MANUFACTURER OF

Quality Leather Accessories



Stanger

Interim Report 2015

CORPORATE INFORMATION

DIRECTORS

Executive Directors

- Lee Wing Yin
(Chief Executive Officer)
(Appointed on 21 September 2015)
- Ngan Man Ho
(Appointed on 21 September 2015)
- Chan King Hong Edwin
(Chairman & Chief Executive Officer)
(Resigned on 21 September 2015)
- Chan King Yuen Stanley *(Vice Chairman)*
(Resigned on 21 September 2015)
- Chan Wai Po Rebecca
(Resigned on 21 September 2015)

Independent Non-executive Directors

- Lung Hung Cheuk
(Appointed on 21 September 2015)
- Leung Ka Tin
(Appointed on 21 September 2015)
- Li Wai Ming
(Appointed on 21 September 2015)
- Chau Cynthia Sin Ha *JP*
(Resigned on 21 September 2015)
- Fong Pui Sheung David *MH*
(Resigned on 21 September 2015)
- Or Kam Chung Janson *FCCA, CPA*
(Resigned on 21 September 2015)

COMPANY SECRETARY

- Lee Wing Yin *FCCA, CPA*
(Appointed on 21 September 2015)
- Lee Man Tai *FCCA, FCPA*
(Appointed on 15 April 2015 and
resigned on 21 September 2015)
- Lau Wai Hung *FCCA, CPA*
(Resigned on 15 April 2015)

AUDIT COMMITTEE

- Li Wai Ming *(Committee Chairman)*
(Appointed on 21 September 2015)
- Lung Hung Cheuk
(Appointed on 21 September 2015)
- Leung Ka Tin
(Appointed on 21 September 2015)
- Fong Pui Sheung David *MH*
(Committee Chairman)
(Resigned on 21 September 2015)
- Chau Cynthia Sin Ha *JP*
(Resigned on 21 September 2015)
- Or Kam Chung Janson *FCCA, CPA*
(Resigned on 21 September 2015)

REMUNERATION COMMITTEE

- Lung Hung Cheuk
(Committee Chairman)
(Appointed on 21 September 2015)
- Leung Ka Tin
(Appointed on 21 September 2015)
- Li Wai Ming
(Appointed on 21 September 2015)
- Or Kam Chung Janson *FCCA, CPA*
(Committee Chairman)
(Resigned on 21 September 2015)
- Fong Pui Sheung David *MH*
(Resigned on 21 September 2015)
- Chau Cynthia Sin Ha *JP*
(Resigned on 21 September 2015)

NOMINATION COMMITTEE

Leung Ka Tin

(Committee Chairman)

(Appointed on 21 September 2015)

Lung Hung Cheuk

(Appointed on 21 September 2015)

Li Wai Ming

(Appointed on 21 September 2015)

Chau Cynthia Sin Ha JP

(Committee Chairlady)

(Resigned on 21 September 2015)

Fong Pui Sheung David MH

(Resigned on 21 September 2015)

Or Kam Chung Janson FCCA, CPA

(Resigned on 21 September 2015)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3rd Floor, Victory Industrial Building

No. 151-157 Wo Yi Hop Road

Kwai Chung

New Territories

Hong Kong

AUDITOR

BDO Limited

Certified Public Accountants

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman, KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd. Hong
Kong Branch

Nanyang Commercial Bank Limited

OCBC Wing Hang Bank Limited

COMPANY WEBSITE

www.chancogroup.com

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

STOCK CODE

264

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September	
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Operating results		
Turnover	64,597	56,987
Gross profit	13,354	7,484
Loss before income tax expense	(16,704)	(14,457)
Loss for the period	(16,815)	(15,014)
Business performance ratios		
Gross profit margin	20.7%	13.1%
Net profit margin	N/A	N/A
Return on shareholders' equity	N/A	N/A
Current ratio	2.98	11.18
Quick ratio	1.52	8.38
Share data		
Shares in issue ('000)	347,904	318,804
Shares closing price (as at period end date)	HK\$1.65	HK\$0.830
Market capitalization (HK\$'000)	574,042	264,607
Loss per share	(HK5.14 cents)	(HK4.7 cents)
Net asset value per share	HK\$0.21	HK\$0.74

The Board of Directors (the “Directors”) of Chanco International Group Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Notes	Six months ended 30 September	
		2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Turnover	4	64,597	56,987
Cost of sales		(51,243)	(49,503)
Gross profit		13,354	7,484
Other income and gains		3,577	3,395
Selling and distribution costs		(13,628)	(11,711)
Administrative and other operating expenses		(20,007)	(13,625)
Loss before income tax expense	5	(16,704)	(14,457)
Income tax expense	6	(111)	(557)
Loss for the period attributable to owners of the Company		(16,815)	(15,014)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Notes	Six months ended 30 September	
		2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Change in fair value of available-for-sale investments		(516)	706
Transfer of fair value gain to profit or loss upon disposal of available-for-sale investments		(1,621)	(177)
Exchange differences arising on translation of financial statements of operations outside Hong Kong		(1,202)	159
Other comprehensive income for the period		(3,339)	688
Total comprehensive income for the period attributable to owners of the Company		(20,154)	(14,326)
Loss per share			
– Basic	8	(HK5.14 cents)	(HK4.7 cents)
– Diluted	8	(HK5.14 cents)	(HK4.7 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
Non-current assets			
Property, plant and equipment		3,924	2,086
Available-for-sale investments	9	–	8,236
Rental deposits		3,656	2,576
		7,580	12,898
Current assets			
Inventories		49,590	50,623
Trade and bills receivables	10	16,587	14,419
Other receivables, deposits and prepayments		11,556	8,241
Tax recoverable		1,726	282
Bank balances and cash		21,810	161,434
		101,269	234,999
Current liabilities			
Trade payables	11	11,006	8,472
Other payables and accrued charges		22,991	13,008
		33,997	21,480
Net current assets		67,272	213,519

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 SEPTEMBER 2015

		30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
	<i>Notes</i>		
Total assets less current liabilities		74,852	226,417
Non-current liabilities			
Deferred tax liabilities		61	61
Total Net Assets		74,791	226,356
Capital and reserves attributable to owners of the Company			
Share capital	12	3,479	3,188
Reserves		71,312	223,168
Total Equity		74,791	226,356

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Share capital Unaudited HK\$'000	Share premium Unaudited HK\$'000	Share option reserve Unaudited HK\$'000	Foreign exchange reserve Unaudited HK\$'000	Available- for-sale investments reserve Unaudited HK\$'000	Statutory and discretionary reserve Unaudited HK\$'000	Retained earnings Unaudited HK\$'000	Total Unaudited HK\$'000
At 1 April 2014	3,188	32,608	4,904	6,424	217	888	202,127	250,356
Total comprehensive income for the period	-	-	-	159	529	-	(15,014)	(14,326)
Transfer between reserves	-	-	-	-	-	2,031	(2,031)	-
At 30 September 2014	3,188	32,608	4,904	6,583	746	2,919	185,082	236,030
At 1 April 2015	3,188	32,608	4,904	6,284	2,137	2,919	174,316	226,356
Total comprehensive income for the period	-	-	-	(1,202)	(2,137)	-	(16,815)	(20,154)
Share issued upon exercise of share options	291	21,200	(4,904)	-	-	-	-	16,587
2015/2016 special interim dividend	-	-	-	-	-	-	(147,998)	(147,998)
At 30 September 2015	3,479	53,808	-	5,082	-	2,919	9,503	74,791

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended 30 September	
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Net cash used in operating activities	(14,737)	(4,812)
Net cash from investing activities	7,058	11,937
Cash flows from financing activities		
Proceeds from exercise of share options	16,587	–
Payment of 2015/2016 special interim dividends	(147,998)	–
Net cash used in financing activities	(131,411)	–
Net (decrease)/increase in cash and cash equivalents	(139,090)	7,125
Cash and cash equivalents at the beginning of the period	161,434	160,531
Effect of foreign exchange rate changes on cash and cash equivalents	(534)	137
Cash and cash equivalents at the end of the period	21,810	167,793

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General

The Company was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). As at 30 September 2015, its immediate and ultimate holding company was Green Parade Limited (“Green Parade”), a company incorporated in the British Virgin Islands (the “BVI”). According to the Company’s joint announcement dated 12 November 2015, Green Parade has sold to Zhurong Global Limited (“Zhurong”) approximately 66.10% of the total issued share capital of the Company and the completion took place on 2 November 2015. Zhurong is indirectly wholly owned by Zhonghong Holding Co., Ltd. (“Zhonghong”) which is 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). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

The unaudited condensed interim financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

3. Principal accounting policies

The condensed interim financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for current accounting period of the Group. The adoption of these amendments to HKFRSs has no material impact on the Group’s financial statements.

3. Principal accounting policies (Continued)

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 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

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

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

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.

4. Turnover and segment information

Turnover, which is also the revenue, represents the net amounts received and receivable for goods sold to external customers, less returns and discount, if any, during the period.

The principal activities of the Group are manufacture and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker 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' result that is used by the chief operating decision makers for assessment of segment performance.

4. Turnover and segment information (Continued)

	Manufacturing business		Retail business		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	51,291	43,661	13,306	13,326	64,597	56,987
Inter-segment revenue	3,922	3,322	-	-	3,922	3,322
Reportable segment revenue	55,213	46,983	13,306	13,326	68,519	60,309
Reportable segment loss	(14,557)	(13,346)	(2,383)	(3,532)	(16,940)	(16,878)
Elimination of inter-segment losses					52	120
Dividend income from available-for-sale investments					502	206
Gain on disposal of available-for-sale investments					1,621	177
Interest income					1,308	2,304
Unallocated other income and gains					146	71
Unallocated corporate expenses					(3,393)	(457)
Loss before income tax expense					(16,704)	(14,457)
Income tax expense					(111)	(557)
Loss for the period					(16,815)	(15,014)

4. Turnover and segment information (Continued)

	Manufacturing business		Retail business		Total	
	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
Reportable segment assets	87,396	114,955	17,056	18,267	104,452	133,222
Available-for-sales investments					-	8,236
Tax recoverable					1,726	282
Unallocated bank balances and cash					2,537	105,448
Other unallocated corporate assets					134	709
					108,849	247,897
Reportable segment liabilities	31,903	20,315	1,570	1,133	33,473	21,448
Deferred tax liabilities					61	61
Unallocated corporate liabilities					524	32
					34,058	21,541

5. Loss before income tax expense

Loss before income tax expense is arrived at after charging:

	Six months ended 30 September	
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Cost of inventories sold	51,243	49,503
Depreciation of property, plant and equipment	576	342
Foreign exchange loss, net	5,150	–
Operating lease rentals in respect of land and buildings	9,322	9,331
Write down of inventories	–	412
Staff costs (excluding directors' emoluments)	10,296	8,049
and crediting:		
Dividend income from available-for-sale investments	502	206
Interest income	1,308	2,304
Foreign exchange gain, net	–	586
Gain on disposal of available-for-sale investments	1,621	177
Reversal of write down of inventories	495	–

6. Income tax expense

	Six months ended 30 September	
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Current taxation:		
– PRC enterprise income tax	111	557

No provision for Hong Kong profits tax has been made for the period as the Group has sustained estimated tax losses for both periods. The PRC enterprise income tax rate for the Company's subsidiaries in the PRC is 25% (2014: 25%).

7. 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.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2015 and 2014.

8. Loss per share

The calculation of basic loss per share is based on the Group's loss for the period of HK\$16,815,000 (2014: loss of HK\$15,014,000) and weighted average number of 327,072,852 (2014: 318,804,000) ordinary shares in issue during the period.

For the six months ended 30 September 2015 and 2014, diluted loss per share is equal to the basic loss per share for the respective periods as there is no dilutive effect on the outstanding share options.

9. Available-for-sale investments

	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
Equity securities listed in Hong Kong, at fair value	–	8,236

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

10. Trade and bills receivables

	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
Trade and bills receivables	17,506	15,338
Less: impairment loss	(919)	(919)
	16,587	14,419

Customers are generally granted with credit terms of 30 to 90 days. The ageing analysis of trade and bills receivables (net of impairment loss) at the end of reporting period is as follows:

	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
Less than 30 days	6,412	8,558
31-60 days	4,847	3,140
61-90 days	3,163	885
91-120 days	963	311
121-365 days	1,202	1,522
More than 365 days	–	3
	16,587	14,419

11. Trade payables

Details of the ageing analysis are as follows:

	30 September 2015 Unaudited HK\$'000	31 March 2015 Audited HK\$'000
Less than 30 days	5,790	2,885
31-60 days	4,061	1,399
61-90 days	274	1,880
91-120 days	366	1,581
121-365 days	435	651
More than 365 days	80	76
	11,006	8,472

12. Share capital

Authorised and issued share capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2014, 31 March 2015, 1 April 2015 and 30 September 2015	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2014, 31 March 2015 and 1 April 2015	318,804,000	3,188
Shares issued upon exercise of share options	29,100,000	291
At 30 September 2015	347,904,000	3,479

13. Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2015 and 31 March 2015.

14. Related party transactions

- (a) During the period, the Group had entered into the following transactions with related parties:

	Six months ended 30 September	
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	390	375

Mr. Chan Woon Man was a substantial shareholder of the Company from 1 April 2015 to 21 September 2015 and Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man.

(b) **Compensation of key management personnel**

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

	Six months ended 30 September	
	2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
Short-term benefits	5,548	5,225
Post employment benefits	83	77
	5,631	5,302

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.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the six months ended 30 September 2015, the Group's turnover increased by approximately 13.4% from approximately HK\$56,987,000 for the corresponding period in 2014 to approximately HK\$64,597,000 which was mainly due to the increase of revenue from manufacturing business segments. Gross profit increased by approximately 78.4% from approximately HK\$7,484,000 for the corresponding period in 2014 to approximately HK\$13,354,000 which was mainly due to better cost control. Gross profit margin also increased from approximately 13.1% for the corresponding period in 2014 to approximately 20.7%. This was mainly due to gross profit improved from both manufacturing and retail business segments.

Other income and gains slightly increased by 5.4% from approximately HK\$3,395,000 for the corresponding period in 2014 to approximately HK\$3,577,000 which was mainly due to the increase in gain on disposal of available-for-sale investments which was partly diminished by the decrease in interest income.

Selling and distribution costs increased by approximately 16.4% from approximately HK\$11,711,000 for the corresponding period in 2014 to approximately HK\$13,628,000 which was mainly due to higher sales reported in the reporting period. Administrative and other operating expenses increased by approximately 46.8% from approximately HK\$13,625,000 for the corresponding period in 2014 to approximately HK\$20,007,000 which was mainly due to net foreign exchange loss of approximately HK\$5,150,000 in the reporting period while net foreign exchange gain of approximately HK\$586,000 in the corresponding period in 2014. Please refer to the profit warning announcement of the Company dated 25 August 2015 for details.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK\$16,815,000 for the reporting period (2014: approximately HK\$15,014,000). Loss per share for the six months ended 30 September 2015 was HK5.14 cents (2014: HK4.7 cents).

BUSINESS REVIEW

In the reporting period, the two business segments – manufacturing and retailing accounted for approximately 79.4% (2014: approximately 76.6%) and approximately 20.6% (2014: approximately 23.4%) of the Group turnover respectively.

MANUFACTURING BUSINESS

For the six months ended 30 September 2015, turnover of manufacturing business segment from external customers increased by 17.5% from approximately HK\$43,661,000 for the corresponding period in 2014 to approximately HK\$51,291,000. This was mainly due to the increase in demand from the overseas market which was partly diminished by the decline demand from Hong Kong and the PRC market.

Geographically, sales to Europe increased by approximately 19.6% from approximately HK\$14,392,000 for the corresponding period in 2014 to approximately HK\$17,216,000. Sales to the United States (the “US”) increased by approximately 51.4% from approximately HK\$4,033,000 for the corresponding period in 2014 to approximately HK\$6,104,000. Sales in Hong Kong decreased by approximately 32.6% from approximately HK\$6,340,000 for the corresponding period in 2014 to approximately HK\$4,272,000. Sales to PRC decreased by approximately 22.8% from approximately HK\$5,924,000 for the corresponding period in 2014 to approximately HK\$4,572,000. Apart from the major markets, sales to other countries including Australia, Japan, Canada, India, Korea, Singapore and Malaysia, etc. increased by approximately 47.4% from approximately HK\$12,972,000 for the corresponding period in 2014 to approximately HK\$19,127,000.

In terms of product category, sales of belts increased by approximately 28% to approximately HK\$45,396,000 (2014: HK\$35,478,000) while sales of leather goods and other accessories decreased by approximately 28% to approximately HK\$5,895,000 (2014: HK\$8,183,000). In the reporting period, the Group endeavored to reduce the inventory level of raw materials in particular to consume the slow-moving cowhide leathers. However, the utilization rate of production capacity remained low. Against the backdrop of tough operating environment, the Group’s manufacturing business segment recorded an operating loss of approximately HK\$14,557,000 (2014: approximately HK\$13,346,000).

RETAIL BUSINESS

The Group's revenue from its retail business slightly dropped by 0.2% from HK\$13,326,000 for the corresponding period in 2014 to approximately HK\$13,306,000. The average number of operating stores and its sales area in the reporting period was more than same period last year. The Group's in-house brand sales increased by approximately 16.2% and it accounted for approximately 93.2% of total retail sales as compared to approximately 80.3% of same period last year. Despite the slightly decrease in overall retail sales, the comparable same store sales increased by approximately 23% against same period last year. The increase was mainly due to the surge of sales of in-house brand leather bags in the reporting period. High in-house brand sales drove up gross profit margin from approximately 62% to approximately 67%.

The overall shop rental to turnover ratio stayed at approximately 43.1% (2014: 44.9%). The staff cost to turnover ratio stayed at approximately 26.5% (2014: 25.3%).

As a consequence of the above, the Group's retail business segment recorded an operating loss of approximately HK\$2,383,000 (2014: approximately HK\$3,532,000). During the reporting period, the Group closed one store upon expiry of the tenancy and opened five new stores in Kwun Tong, Tsim Sha Tsui, Yuen Long, Tai Po and Causeway Bay. As at 30 September 2015, the Group operated nine AREA 0264 stores in Hong Kong.

PROSPECTS

Looking forward, the outlook of Group's manufacturing and retail business remain challenging in view of recent economic uncertainty and market competitiveness. As ever, the Group will continue to pursue cautious and prudent business strategies.

According to the Company's joint announcement dated 12 November 2015, the substantial shareholder, Green Parade, has sold to Zhurong approximately 66.10% of the total issued share capital of the Company and the completion took place on 2 November 2015. Zhurong is indirectly wholly owned by Zhonghong which is established in the PRC with its shares being first listed on the Shenzhen Stock Exchange in 2010 (stock code: 000979).

It is the intention of the new controlling shareholder, Zhurong, to continue with the Group's existing principal businesses after the close of general offer.

After the completion of acquisition of the Company's shares by Zhurong, the Company is intended to be developed as a brand management company, which will provide property management services for a range of recreational properties (including hotels, resorts and theme parks) and will manage and develop a set of brands for such properties. The brand management company will be asset-light as opposed to asset-heavy as it will be providing property management and brand management services for properties as opposed to developing and holding the real properties. The brand management company will aim at operating business properties including for travel and resort, healthcare, cultural innovation.

As at the date of this report, the new controlling shareholder has no intention to discontinue the employment of the employees (save for the proposed changes to the composition of the Board) or to dispose of or re-deploy the assets of the Group. The subsequent changes in the composition of Board shall be effective from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable rules or regulations or such later date as Zhurong may determine. (For more details, please refer to the Company's joint announcement dated 12 November 2015 on the website of the Stock Exchange and the Company.)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2015, the Group's cash and bank deposits were approximately HK\$21,810,000 as compared to approximately HK\$161,434,000 as at 31 March 2015 as a result of special interim dividend paid on 31 August 2015. Please refer to the announcement regarding to the declaration of special interim dividend for the year ending 31 March 2016 of the Company dated 28 July 2015 for details.

The Group recorded total current assets of approximately HK\$101,269,000 (31 March 2015: approximately HK\$234,999,000) and total current liabilities of approximately HK\$33,997,000 (31 March 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 special interim dividend paid in the reporting period. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 3.0 times as at 30 September 2015 (31 March 2015: approximately 10.9 times).

The Group recorded shareholders' funds of approximately HK\$74,791,000 (31 March 2015: approximately HK\$226,356,000). The decrease was mainly attributable to special interim dividend paid and operating loss incurred in the reporting period.

TREASURY POLICY

The Group generally finances its operation with internally generated resources. Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars (“HK\$”), US dollars (“USD”) and Renminbi (“RMB”). Transactions of the Group are mainly denominated in HK\$, USD and RMB. As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rate. In this regard, the Group does not expose to significant currency risk arising from USD. The Group has significant exposure to foreign exchange fluctuation in RMB against HK\$ at the end of reporting period. Foreign exchange forward contract can be used to eliminate the currency risk exposure. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHANGES ON ASSETS

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

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of subsidiaries for the six months ended 30 September 2015.

HUMAN RESOURCES

As at 30 September 2015, the Group had approximately 103 employees in Hong Kong and in the PRC and approximately 450 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.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (“Model Code”) contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 30 September 2015, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or Indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

LONG POSITIONS

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

Name	Capacity	Number of issued ordinary shares held	Total number of issued shares held	Percentage of the issued share capital
Pong Wai San, Wilson	Beneficial owner	376,000	247,308,000	71.09
	Interest of a controlled corporation	246,932,000 (Note i)		
Green Parade	Beneficial owner	246,932,000 (Note i)	246,932,000	70.98
Tung Ching Yee, Helena	Interest of spouse	247,308,000 (Note ii)	247,308,000	71.09

Notes:

- (i) 246,932,000 shares are held by Green Parade, a company incorporated in the BVI, and its entire issued share capital is owned by Mr. Pong Wai San, Wilson.
- (ii) 247,308,000 shares are held by Mr. Pong Wai San, Wilson. By virtue of the SFO, Ms. Tung Ching Yee, Helena, who is the spouse of Mr. Pong Wai San, Wilson, is taken to be interested in these long positions.

Save as disclosed above, as at 30 September 2015 the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

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

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

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

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

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

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

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

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

The Share Option Scheme has expired on 17 February 2013.

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

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				Held at 1 April 2015	Exercised during the period	Held at 30 September 2015
(a) Executive directors						
Chan King Hong Edwin	22 July 2009	22 July 2009 – 21 July 2019	0.57	8,700,000	(8,700,000)	-
Chan King Yuen Stanley	22 July 2009	22 July 2009 – 21 July 2019	0.57	8,700,000	(8,700,000)	-
Chan Wai Po Rebecca	22 July 2009	22 July 2009 – 21 July 2019	0.57	8,700,000	(8,700,000)	-
(b) Employees, in aggregate	22 July 2009	22 July 2009 – 21 July 2019	0.57	3,000,000	(3,000,000)	-
Total				29,100,000	(29,100,000)	-

Note: All the options were immediately vested upon granted.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and Chief Executives' interests and short position in the shares, underlying shares and debentures" and "Share options" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company discloses the changes in information of the Directors as follows:

As disclosed in the composite offer and response document dated 31 August 2015 (“Composite Document”), there have the change of composition of the Board and Board committees as the following:

- (i) Mr. Lee Wing Yin has been appointed as an executive Director, chief executive officer, company secretary and authorised representative of the Company with effect from 21 September 2015.
- (ii) Mr. Ngan Man Ho has been appointed as an executive Director and authorised representative of the Company with effect from 21 September 2015.
- (iii) Mr. Lung Hung Cheuk has been appointed as an independent non-executive Director and the chairman of the remuneration committee and members of nomination committee and audit committee of the Company with effect from 21 September 2015.
- (iv) Mr. Leung Ka Tin has been appointed as an independent non-executive Director and the chairman of the nomination committee and members of remuneration committee and audit committee of the Company with effect from 21 September 2015.
- (v) Mr. Li Wai Ming has been appointed as an independent non-executive Director and the chairman of the audit committee and members of remuneration committee and nomination committee of the Company with effect from 21 September 2015.
- (vi) Mr. Chan King Hong Edwin has tendered his resignation as the executive Director, chairman of the Board, chief executive officer and authorised representative of the Company with effect from 21 September 2015.
- (vii) Mr. Chan King Yuen Stanley has tendered his resignation as the executive Director, vice chairman of the Board and authorised representative of the Company with effect from 21 September 2015.
- (viii) Ms. Chan Wai Po Rebecca has tendered her resignation as the executive Director with effect from 21 September 2015.

- (ix) Mr. Fong Pui Sheung David has tendered his resignation as an independent non-executive Director and the chairman of the audit committee and members of remuneration committee and nomination committee of the Company with effect from 21 September 2015.
- (x) Mr. Or Kam Chung Janson has tendered his resignation as an independent non-executive Director and the chairman of the remuneration committee and members of audit committee and nomination committee of the Company with effect from 21 September 2015.
- (xi) Ms. Chau Cynthia Sin Ha has tendered her resignation as an independent non-executive Director and the chairman of the nomination committee and members of remuneration committee and audit committee of the Company with effect from 21 September 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2015.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2015, except for the deviations from CG Code provisions A1.8 and A2.1. Under the CG Code provision A1.8, 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. According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period under review, following the resignation of Mr. Chan King Hong Edwin on 21 September 2015, there was no chairman in the Company. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the chairman as appropriate and will make further announcement in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 six months ended 30 September 2015.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Li Wai Ming (Chairman), Mr. Lung Hung Cheuk, and Mr. Leung Ka Tin. The Audit Committee has reviewed with Group's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements and the results of the Group for the six months ended 30 September 2015.

By order of the Board
Lee Wing Yin
Chief Executive Officer

Hong Kong, 30 November 2015