ARTINI CHINA CO. LTD.

雅 天 妮 中 國 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 789)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2009, with comparative figures for the preceding financial year ended 31 March 2008, as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*3, 4*	**564,101**	596,739
Cost of sales		**(326,493)**	(220,313)
Gross profit		**237,608**	376,426
Other revenue	*5*	**5,504**	246
Other net loss	*5*	**(122)**	(8,223)
Selling and distribution costs		**(302,985)**	(195,883)
Administrative expenses		**(54,336)**	(40,650)
Other operating expenses		**(23,310)**	(1,479)
(Loss)/profit from operations		**(137,641)**	130,437
Finance costs	*6(a)*	**(1,022)**	(3,996)
(Loss)/profit before taxation	*6*	**(138,663)**	126,441
Income tax	*7*	**(1,866)**	(16,417)
(Loss)/profit attributable to equity shareholders of the Company		**(140,529)**	110,024
Dividends payable to equity shareholders of the Company attributable to the year:	*8*		
Interim dividend declared and paid during the year		**–**	69,000
Special dividend proposed after the balance sheet date		**–**	40,000
		–	109,000
(Loss)/earnings per share (HK$)	*9*		
Basic and diluted		**(0.145)**	0.147

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Fixed assets			
– Investment property		**3,766**	–
– Property, plant and equipment		**66,803**	68,452
– Interests in leasehold land held for own use under operating leases		**20,962**	21,745
Intangible assets		**6,311**	593
Rental deposits		**13,095**	10,130
Deferred tax assets		**10,146**	4,294
		121,083	105,214
Current assets			
Inventories		**56,327**	56,491
Trade and other receivables	*10*	**57,956**	153,300
Current tax recoverable		**1,477**	721
Cash and cash equivalents		**277,897**	59,356
		393,657	269,868
Current liabilities			
Trade and other payables	*11*	**49,501**	63,492
Bank loans and overdrafts		**420**	114,142
Obligations under finance leases		**181**	345
Current tax payable		**1,083**	15,118
		51,185	193,097
Net current assets		**342,472**	76,771
Total assets less current liabilities		**463,555**	181,985

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009 (Continued)
(Expressed in Hong Kong dollars)

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank loans		–	26,427
Obligations under finance leases		–	181
Deferred tax liabilities		**2,030**	1,015
		2,030	27,623
NET ASSETS		**461,525**	154,362
CAPITAL AND RESERVES			
Share capital		**99,224**	385
Reserves		**362,301**	153,977
TOTAL EQUITY		**461,525**	154,362

NOTES:

1. COMPANY BACKGROUND AND BASIS OF PRESENTATION

(a) Reporting entity

Artini China Co. Ltd. was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2008.

(b) Reorganisation

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries now comprising the Group which was completed on 23 April 2008 to rationalise the group structure for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus dated 2 May 2008 issued by the Company.

(c) Basis of presentation

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders (the "Controlling Shareholders") before and immediately after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholders. Accordingly, this is considered a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied. The consolidated financial statements for the years ended 31 March 2008 and 31 March 2009 have been prepared by using the merger basis of accounting as if the Group had been in existence throughout the periods presented. The net assets of the combining companies are combined using the existing book values from the Controlling Shareholders' perspective.

1. COMPANY BACKGROUND AND BASIS OF PRESENTATION (Continued)

(c) Basis of presentation (Continued)

Accordingly, the consolidated income statements of the Group for the years ended 31 March 2008 and 31 March 2009 include the results of operations of the companies comprising the Group for the years ended 31 March 2008 and 31 March 2009 (or where the companies were established/ incorporated at a date later than 1 April 2007 for the periods from the date of establishment/ incorporation to 31 March 2008 and 31 March 2009) as if the companies now comprising the Group had been in existence throughout the years presented. The consolidated balance sheet of the Group as at 31 March 2008 is prepared to present the state of affairs of the companies comprising the Group as at that date as if the combined entities had been in existence as at that date.

All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the Directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

(d) Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new Interpretations and an Amendment to HKFRSs that are first effective for the current accounting period of the Group.

However, none of these developments is relevant to the Group's operations. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Concurrent design manufacturing ("CDM")	:	manufacturing depending on the customer's chosen level of participation in the design process, concurrently works with its customer in designing the products and produces the same according to the customer's desired final design.
Retailing and distribution	:	the manufacture and sale of own brand fashion accessories.

3. **SEGMENT REPORTING (Continued)**

Business segments (Continued)

	2009					
	Retailing and distribution				Inter-segment	
	Mainland China	Hong Kong and Macao	Sub-total	CDM sales	elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**245,221**	**27,961**	**273,182**	**290,919**	**–**	**564,101**
Inter-segment revenue	**–**	**–**	**–**	**61,447**	**(61,447)**	**–**
Total	**245,221**	**27,961**	**273,182**	**352,366**	**(61,447)**	**564,101**
Segment result	**(82,059)**	**(17,310)**	**(99,369)**	**10,705**	**–**	**(88,664)**
Unallocated operating income and expenses						**(48,977)**
Loss from operations						**(137,641)**
Finance costs						**(1,022)**
Income tax						**(1,866)**
Loss after taxation						**(140,529)**
Depreciation and amortisation for the year	**26,140**	**2,852**	**28,992**	**4,664**		**33,656**
Unallocated depreciation and amortisation						**542**
Total depreciation and amortisation						**34,198**
Segment assets	**145,746**	**5,105**	**150,851**	**60,493**		**211,344**
Unallocated assets						**303,396**
Total assets						**514,740**
Segment liabilities	**20,481**	**923**	**21,404**	**27,990**		**49,394**
Unallocated liabilities						**3,821**
Total liabilities						**53,215**
Capital expenditure incurred during the year	**29,008**	**756**	**29,764**	**13,768**		**43,532**
Impairment loss						
– trade and other receivables	**14,976**	**–**	**14,976**	**2,514**		**17,490**
– property, plant and equipment	**3,661**	**–**	**3,661**	**–**		**3,661**

3. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2008					
	Retailing and distribution					
	Mainland China	Hong Kong and Macao	Sub-total	CDM sales	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	269,273	28,190	297,463	299,276	–	596,739
Inter-segment revenue	–	–	–	44,289	(44,289)	–
Total	269,273	28,190	297,463	343,565	(44,289)	596,739
Segment result	95,959	(8,411)	87,548	83,539	–	171,087
Unallocated operating income and expenses						(40,650)
Profit from operations						130,437
Finance costs						(3,996)
Income tax						(16,417)
Profit after taxation						110,024
Depreciation and amortisation for the year	7,307	1,125	8,432	3,019		11,451
Unallocated depreciation and amortisation						2,594
Total depreciation and amortisation						14,045
Segment assets	100,490	10,333	110,823	109,817		220,640
Unallocated assets						154,442
Total assets						375,082
Segment liabilities	25,761	760	26,521	28,727		55,248
Unallocated liabilities						165,472
Total liabilities						220,720
Capital expenditure incurred during the year	37,944	3,848	41,792	3,246		45,038
Impairment loss on trade and other receivables	–	–	–	1,021		1,021

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

3. SEGMENT REPORTING (Continued)

Revenue from external customers

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong and Macao	**113,299**	84,396
Mainland China	**272,709**	291,164
Other parts of Asia	**14,487**	27,576
Americas	**62,205**	76,709
Europe	**88,791**	103,209
Africa	**12,610**	13,685
	564,101	596,739

Segment assets

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong and Macao	**7,229**	120,150
Mainland China	**204,115**	100,490
	211,344	220,640

Capital expenditures incurred during the year

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong and Macao	**290**	7,094
Mainland China	**43,242**	37,944
	43,532	45,038

4. TURNOVER

The principal activities of the Group are design, manufacturing, retailing and distribution and CDM of fashion accessories.

Turnover represents the sales value of goods supplied to customers after deducting sales tax, value added tax, discounts and returns.

Turnover is represented by sales generated by each of the following categories:

	2009 *HK$'000*	2008 *HK$'000*
Retailing and distribution		
– Hong Kong and Macao	**27,961**	28,190
– PRC	**245,221**	269,273
CDM	**290,919**	299,276
	564,101	596,739

5. OTHER REVENUE AND NET LOSS

	2009	2008
	HK$'000	*HK$'000*
Other revenue		
Interest income	**3,980**	230
Gross rental income from investment property	**225**	–
Government subsidies	**1,155**	–
Others	**144**	16
	5,504	246
Other net loss		
Net exchange gain/(loss)	**253**	(8,203)
(Provision)/reversal of provision for long service payments	**(387)**	558
Net gain/(loss) on disposal of property, plant and equipment	**12**	(578)
	(122)	(8,223)

6. (LOSS)/PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**996**	1,764
Interest on bank advances wholly repayable beyond five years	**–**	2,182
Finance charges on obligations under finance leases	**26**	50
	1,022	3,996
(b) Staff costs:		
Contributions to defined contribution retirement plans	**8,977**	6,756
Equity-settled share-based payment expenses	**6,869**	–
Salaries, wages and other benefits	**149,002**	117,486
	164,848	124,242
(c) Other items:		
Depreciation		
– assets held for use under finance leases	**303**	303
– other assets	**32,851**	13,742
Amortisation of intangible assets	**1,044**	–
Cost of inventories	**326,493**	220,313

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**276**	1,910
(Over)/under-provision in respect of prior years	**(44)**	35
	232	1,945
Current tax – PRC		
Provision for the year	**6,471**	17,114
Deferred tax		
Origination and reversal of temporary differences	**(4,837)**	(2,642)
	1,866	16,417

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Bermuda and the BVI.

(ii) In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 March 2009. This decrease is taken into account in the preparation of the Group's 2009 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 17.5%) of the estimated assessable profits for the year.

(iii) Arts Empire Macao Commercial Offshore Limited was established as a Macao offshore company under the Macao Offshore Law and is exempted from the Macao Complementary Tax.

(iv) Alfreda International Company Limited is subject to the Macao Complementary Tax. No provision is made during the year as the company sustained tax losses.

(v) On 16 March 2007, the National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law"). Under the New Tax Law, effective from 1 January 2008, the statutory income tax rate applicable to the Company's subsidiaries in Shenzhen has changed from 15% to 25% progressively under a 5-year transition period from years 2008 to 2012 (2008: 18%; 2009: 20%; 2010: 22%; 2011: 24%; 2012: 25%). For the subsidiary located in Hai Feng, the statutory income tax rate has changed from 24% to 25% from 1 January 2008. Under the New Tax Law, the Hai Feng subsidiary can continue to enjoy the unexpired tax holiday during which it is fully exempted from PRC enterprise income tax for two years starting from their first profit-making year in 2005, followed by a 50% reduction in the PRC enterprise income tax for three years through 2009. These changes are taken into account in the preparation of the Group's 2009 financial statements. Accordingly, the provision for PRC statutory income tax for the Company's subsidiaries in Shenzhen and Hai Feng for 2009 is calculated at the revised tax rates in the corresponding tax jurisdictions.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(vi) Under the New Tax Law, a 10% withholding tax will also be levied on dividends declared to foreign investors from the PRC entities. However, only the dividends attributable to the profits of the financial period starting from 1 January 2008 will be subject to the withholding tax. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investor. Pursuant to a double tax arrangement between the PRC and Hong Kong, the Group is subject to a withholding tax at the rate of 5% for any dividend payments from certain of the Group's PRC subsidiaries.

8. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2009	2008
	HK$'000	*HK$'000*
Interim dividend declared and paid during the year	**–**	69,000
Special dividend proposed after the balance sheet date	**–**	40,000

The interim dividends presented during the year ended 31 March 2008 represented dividends declared by Artist Empire Gifts & Premium Mfy. Limited, Gentleman Investments Limited, Artist Empire Jewellery Enterprise Company Limited, TCK Company Limited and Arts Empire Macao Commercial Offshore Limited, to their then shareholders before they became subsidiaries of the Company pursuant to the Reorganisation (note 1(b)). All the dividends were fully settled in March 2008.

The special dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009	2008
	HK$'000	*HK$'000*
Special dividend in respect of the previous financial year, approved and paid during the year, of HK$0.04 per share (2008: HK$Nil)	**40,000**	–

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the year ended 31 March 2009 is based on the loss attributable to equity shareholders of the Company of HK$140,529,000 (2008: profit of HK$110,024,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2009 of 965,847,261 (2008: 750,000,000 ordinary shares). The weighted average number of shares in issue during the years ended 31 March 2009 and 2008 is calculated on the assumption that the 750,000,000 ordinary shares issued upon the Reorganisation were outstanding throughout the entire two years.

Weighted average number of ordinary shares

	2009 ***No. of shares***	2008 *No. of shares*
Shares issued upon Reorganisation	**750,000,000**	750,000,000
Effect of shares issued under placing and public offering on 16 May 2008	**218,493,151**	–
Effect of shares repurchased	**(2,645,890)**	–
Weighted average number of shares at 31 March	**965,847,261**	750,000,000

Diluted loss per share equals to basic loss per share for the year ended 31 March 2009 because the exercise of share options would result in a decrease in the loss per share.

Diluted earnings per share equals to basic earnings per share for the year ended 31 March 2008 because there were no dilutive potential ordinary shares during that year.

10. TRADE AND OTHER RECEIVABLES

	The Group	
	2009 ***HK$'000***	2008 *HK$'000*
Trade debtors	**37,066**	67,985
Less: Allowance for doubtful debts	**(2,960)**	(591)
	34,106	67,394
Deposits, prepayments and other receivables	**23,850**	30,378
Amounts due from related parties	**–**	155
Amount due from a director	**–**	55,373
	57,956	153,300

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

10. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Current	**24,874**	51,735
Less than 3 months past due	**8,306**	15,659
3 to 6 months past due	**811**	–
Over 6 months past due	**115**	–
Amounts past due	**9,232**	15,659
	34,106	67,394

Trade debtors are due within 30 days to 90 days from the date of billing.

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 April	**591**	1,063
Impairment loss recognised	**17,490**	1,021
Uncollectible amounts written off	**(15,121)**	(1,493)
At 31 March	**2,960**	591

At 31 March 2009, the Group fully provided specific allowances for doubtful debts for trade debtors which were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the prospect of recovery of the receivables was remote.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are set out in note 10(a).

10. TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors (Continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances which are considered fully recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trade creditors	**6,567**	7,069
Bills payable	**–**	6,486
Receipts in advance	**11,929**	10,542
VAT and other tax payable	**3,497**	5,678
Accrued charges and other payables	**27,401**	25,473
Amounts due to related parties	**107**	8,244
	49,501	63,492

All of the trade and other payables are expected to be settled within one year. Receipts in advance are expected to be recognised as income within one year.

Amounts due to related parties are unsecured, interest free and repayable on demand.

Ageing analysis

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
By date of invoice:		
Within 3 months	**5,718**	13,269
More than 3 months but within 6 months	**–**	–
More than 6 months but within 1 year	**541**	286
Over 1 year	**308**	–
	6,567	13,555

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Fiscal year 2008/09 has been a year of challenges for Artini due to the far-reaching effects of the global financial tsunami and the rapid changes of operating environment in the PRC. It is one of the goals of the Group to maintain a healthy growth. However, the Group experienced the impact of the earthquake in Wenchuan, Sichuan soon after its listing. As a result, the sales of the Group were affected due to weakened consumer sentiment. Furthermore, the overseas markets also shrank as a result of the international financial crisis. Although China, as in a fast-developing economy, was less affected by the global financial tsunami, the impacts of the continuous economic slowdown of the US and Europe were obvious in the PRC market, resulting in unsatisfactory performance of the Group's CDM and retail businesses. Consumer confidence and consumption power, especially on mid to high-end products, were inevitably affected. In light of the rapid changes in global business environment, the management team of the Group flexibly adjusted the business strategies to minimise loss by cutting the target number of new stores from 256 to 186 for this fiscal year and reducing the headcounts and raw material costs. As a result, the pressure on both the Group's PRC retail and CDM businesses was slightly alleviated during the year under review.

The fashion accessories industry in the PRC is highly fragmented. Certain weaker players were driven out of the market as a result of the financial tsunami. On the other hand, niche players with a strong competitive edge solidified their presence and are now in better shape to capture future opportunities. By leveraging our vertically-integrated business model, highly-competitive products, strong brand equity and extensive experience in the international fashion accessories market, Artini is well poised to capitalise on the opportunities arising from market recovery to become the leading fashion accessories brand across the PRC.

BUSINESS REVIEW

Artini is a leading multi-brand retail operator of fashion accessories and a manufacturer with unique vertical integration in the PRC. Our principal focus is on the retailing of these items under two proprietary brands – Artini and Q'ggle. We are also a concurrent design manufacturer ("CDM") with our services ranging from design to delivery, and our fashion accessories are supplied to internationally respected brands.

To cope with the market challenges, the Group slowed down its expansion progress to preserve its capital resources. The number of stores of the Group was reduced to 186 at present from the target of 256 as of 31 March 2009. The Group refocused its priorities to stringent cost control, integration of internal resources, streamlining headcounts, curbing expenses, reducing loss and devising new development strategies in order to return to profit.

In respect of its retail business, the Group proactively negotiated with major shopping malls where our stores were located for minimising the basic and additional rent to reduce operating expenses. In addition, the Group closed down stores with low cost effectiveness and high rental. Resources were reallocated to emerging markets. Moreover, the Group joined hands with shopping malls to organise advertising campaigns to increase brand awareness and reduce advertising expenses. In respect of its CDM business, the Group reduced production cost by proactively negotiating with raw material suppliers for bargain prices to achieve effective cost control and return to profit.

1. Retail business

The Group's two proprietary brands, Artini and Q'ggle, target highly specialised groups of customers. "Sparks of Life" is Artini's brand concept that embodies classic, elegant and romantic European styling for fashion conscious customers with discriminating tastes. "Trendy and Energetic, Let's Q'ggle!" is the brand concept behind Q'ggle, which targets hip, dynamic, and lively young customers.

To cope with today's rapidly changing operating environment and the current economic turmoil, the Group adopted the following strategies in the year under review:

1. Negotiation for better rental terms

   In light of the sudden changes in macro economic conditions that have affected consumer sentiment and pedestrian flow in major shopping malls and arcades, the Group initiated renegotiations with landlords to revise the rental terms and minimum rental requirement and reduce the rental costs in order to ease the burden of rental expenses and to obtain bundled terms with other value-added services such as on-site promotions. Furthermore, the Group closed down the stores with low cost-effectiveness and high rental during the year under review to improve its profitability. The Group's ultimate goal is to maintain rental outlays at a reasonable level.

2. Developing new distribution channels

   The Group actively developed new distribution channels during the year under review. We have nurtured cooperative relationships with a number of banking institutions and corporations to establish online business platforms for product purchases and redemption. We have also established an online shopping platform to expand our customer base as well as to reduce operating costs. We consider these to be cost-effective channels for identifying and extending our reach to consumers with high purchasing power.

3. Introduction of a new business model – expansion through distributors

   The Group expanded retail network mainly through directly-managed stores. However, to maintain a steady pace of network growth in the most cost-effective manner with fast market penetration, we introduced distributorships during the year under review. Distributors with extensive retail experience in the PRC have been selected to manage the operation of the Group's retail outlets in some of the areas. At the end of the year, the Group had entered into cooperative agreements with three distributors to operate one Q'ggle shop and 6 Artini shops in China.

4. Strategic partnerships to broaden the brand portfolio

The Group made considerable progress in expanding its brand portfolio by cooperating with renowned sports event hosting bodies to boost the overall brand profile. Artini obtained the manufacturing and sales rights for the gifts of the 2010 Guangzhou Asian Games in November 2008. The first batch of Asian Games licensed products will be launched in August 2009, marking the one-year countdown to the opening ceremony of the Games. These products will also be sold in 500 to 800 franchised stores licensed by the Guangzhou Asian Games Organising Committee.

In addition, the Group obtained the distribution rights for a series of NBA timepieces during the year under review. These items are distributed at Q'ggle outlets as an added attraction for customers.

Retail network

In response to volatile market conditions, the Group changed its strategies by slowing down the expansion of stores and exploring new distribution channels, such as the online shopping platform, to reduce rental expenses.

As at 31 March 2009, there were 105 Artini stores and 81 Q'ggle stores in the PRC, Hong Kong and Macau (31 March 2008: 93 Artini stores and 45 Q'ggle stores).

The majority of our outlets are located in major shopping malls, hotels or department stores. For this reason, we have developed systematic and stringent store site selection procedures which focus on sales locations with high pedestrian throughput and high average consumer purchasing power. To this end, most of our retail outlets across the country are located in department stores, which serve as a primary retail channel for key lifestyle products. Some of our retail stores are also located on the streets with high levels of pedestrian traffic, ensuring a steady flow of customers while helping to enhance overall product brand awareness.

In January 2009, our first Artini and Q'ggle flagship stores opened in Sanlitun, Beijing, further enhancing the Group's brand value and consolidating Artini's leading position in the PRC accessories market.

The number of Artini retail points and Q'ggle retail points opened by the Group as of 31 March 2008 and 31 March 2009 are set out below:–

	Artini As at 31 March			**Q'ggle As at 31 March**		
	2009	**2008**	**Change (%)**	**2009**	**2008**	**Change (%)**
Retail Stores and Concessions	94	86	9.3	80	44	81.8
Authorised Retail Outlets	11	7	57.1	1	1	–
Total	105	93	12.9	81	45	80.0

2. CDM business

The Group designs and produces fashion accessories for customers who own or operate international brands. Leveraging our vast experience in the industry and strong international fashion sense, we collaborate closely with our branded goods customers to concurrently develop and design high quality products.

1. Innovative design and development capabilities

   We have successfully adapted to ever-changing market trends through the expertise of our talented design team, comprising designers with an international vision from the United Kingdom (the "UK"), Hong Kong and the PRC. Collectively, they introduce fresh, international concepts and ideas to our products.

   In addition to fashion accessories, the design team also bolstered its diversified product offerings with a wide range of fine gifts and premium items for customers.

2. Brand building and marketing

   During the year under review, the Group continued to adopt effective and diversified marketing strategies. We also enhanced our visibility by promoting our brands at fashion shows, as well as through sponsorships of entertainment events and TV drama series. Our focus has been primarily on print media with ad placements in leading fashion magazines. The Group also utilised outdoor billboards, internet and word-of-mouth to promote our brands and products.

   One of our most innovative marketing efforts saw us join forces with Mr. Dorian Ho, an internationally renowned fashion designer, to introduce a limited edition line of evening and cocktail gowns that match a specially-designed series of Artini products. The new product series were well received by customers, generating very positive media coverage for Artini as a leading accessories brand.

   The Group has also established a customer relationship managements ("CRM") programme to enhance customer loyalty. As at 31 March 2009, the number of Artini VIPs was 71,336. The number of Q'ggle VIPs stood at 21,605. These loyal customers have contributed significantly to the Group's overall revenues. The buying behaviour of VIPs was analysed and the data were very useful in improving retail promotions and other marketing-related activities as well as developing new products, which cater to our customers' specific needs and preferences.

3. Production

   The Group owns a large-scale production centre in Guangdong Province with advanced equipment and facilities that cover approximately 40,000 square metres. The annual output capacity is approximately 10 million pieces with monthly design output reaching approximately 850 pieces. Extra space in the facilities for additional production lines will also support future business expansion. Moreover, we have over 2,000 skilled workers, allowing us to engage in the large-scale production of complex design products. During the year under review, the Group consolidated the internal resources of production facilities and reduced headcounts. Moreover, the Group negotiated with suppliers for more favourable prices to reduce raw material expenses.

FINANCIAL REVIEW

Turnover

As a consequence of last year's global financial tsunami and weakened consumer spending in the PRC, turnover of the Group for the year ended 31 March 2009 amounted to HK$564,101,000, representing a decrease of 5.5% compared to the previous year.

Retail business

The retail business was one of the two major revenue generators for the year under review, accounting for 48.4% of the Group's total turnover (2008: 49.8%).

During the year under review, turnover from our retail business decreased 8.2% to HK$273 million. This decline was mainly driven by the weakened consumer purchasing power in the PRC market as a consequence of the global financial tsunami.

Retail business turnover

	For the year ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong and Macao	**27,961**	28,190
The PRC	**245,221**	269,273
Total	**273,182**	297,463

CDM business

CDM business turnover recorded a year-on-year decrease of 2.8% to HK$290,919,000 during the year under review, accounting for 51.6% of the Group's total turnover (2008: 50.2%). This decrease was mainly due to the slackened economic conditions in the US and Europe.

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, Hong Kong and Macao and the European markets, which accounted for 48.3%, 20.1% and 15.7% of the turnover respectively in 2009, compared to 48.8%, 14.1% and 17.3% in 2008. As a result of economic downturn, turnover from the European market accounted for 15.7% of the total turnover, compared with 17.3% last year.

Cost of sales

Cost of sales increased from approximately HK$220,313,000 for the year ended 31 March 2008 to approximately HK$326,493,000 for the year ended 31 March 2009, representing an increase of approximately HK$106,180,000. This was attributable to the general increase in production cost in line with the rising inflation pressures in the PRC.

Gross profit

The overall gross profit of the Group decreased from HK$376,426,000 in 2008 to HK$237,608,000 in 2009, representing a decrease of 36.9%. The gross profit margin also decreased from approximately 63.1% to approximately 42.1%, primarily due to increase in sales discount to the end customers in the retail segment. The decrease in gross profit margin was also due to the increase in cost from Haifeng factory, which was mainly attributed to: (i) the increase in costs of direct overhead; (ii) the increase in production and material costs as well as the appreciation of RMB. All these factors led to higher overall production costs and lower gross profit margin.

Operating expenses

Operating expenses accounted for 63.3% of the Group's total sales, compared with 39.6% last year. They mainly comprised selling and distribution costs as well as administrative outlays, all of which were effectively managed by the Group's reinforced management team along with strengthened internal oversight and process control.

Selling and distribution costs increased from approximately HK$195,883,000 for the year ended 31 March 2008 to approximately HK$302,985,000 for the year ended 31 March 2009, representing an increase of approximately HK$107,102,000. The rise in selling and distribution costs was mainly attributable to our continued increase in advertising and promotion budget in the PRC market to support our retail network expansion. In addition, the increase in rents and wages in the PRC also contributed to the higher expenditures for the year ended 31 March 2009.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs for Directors and executives. These expenses amounted to HK$54,336,000 for the year under review, representing 9.6% of the Group's total sales, compared with 6.8% last year.

Other operating expenses increased to HK$23,310,000 (2008: HK$1,479,000) during the year due to the increase in the impairment losses on trade and other receivables from HK$1,021,000 to HK$17,490,000.

Operating loss

Operating loss of the Group increased to HK$(140,529,000) for the year under review.

Contingent liabilities

The Company and certain of its wholly-owned subsidiaries were covered by a cross-guarantee arrangement with respect to certain banking facilities granted to the Group.

Income tax

Income tax decreased from HK$16,417,000 for the year ended 31 March 2008 to HK$1,866,000 for the year ended 31 March 2009, representing a decrease of HK$14,551,000. This reduction was mainly due to decreased profit contributions from the Group's PRC subsidiaries, resulting in decreased PRC tax payables.

(Loss)/earnings per share

There was a change of earnings per share from HK$0.147 for the year ended 31 March 2008 to loss per share of HK$0.145 for the year ended 31 March 2009.

Dividend

The Board does not recommend the distribution of a final dividend for the year ended 31 March 2009 (2008: NIL).

Foreign exchange exposure

The main business activities of the Group take place in the PRC, Europe and Hong Kong with most transactions settled in Renminbi, United States dollars and Hong Kong dollars. Accordingly, the Directors consider that the potential foreign exchange exposure of the Group is relatively limited. Moreover, the Group has not used any forward contracts or other products to mitigate interest rate or exchange rate risks. The management of the Group will, nonetheless, continue to monitor foreign currency risks and adopt prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities. During the year under review, the Group recorded exchange gains of approximately HK$253,000.

Significant investments and acquisitions

During the year under review, the Group did not have any significant investments, acquisitions or disposal of subsidiaries and associated companies. We continued to seek opportunities to acquire and cooperate with international customers in order to generate more returns for our shareholders.

Use of the proceeds from the initial public offering

Shares of the Company were listed on the Main Board of the Stock Exchange on 16 May 2008. The net proceeds from the initial public offering was approximately HK$483.3 million. The applications of the proceeds from the initial public offering were as follows:

Use of proceeds	**Available to utilise as stated in the prospectus of the Company** *HK$ million*	**Utilised (as at 31 March 2009)** *HK$ million*
Expansion of retail network	193.3	45.0
Expansion of production capacity	96.7	19.5
Marketing and promotion	72.5	30.5
Improvement of operating system	48.3	3.8
Development of information technology management systems	24.2	1.0
General working capital	48.3	65.8
Repayment of bank loans	–	99.1

Impairment losses on trade and other receivables

For the year ended 31 March 2009, the impairment losses on trade and other receivables accounted for approximately HK$17,490,000 (2008: HK$1,021,000).

Employees and emoluments

As at 31 March 2009, the Group had 3,775 employees. To enhance their expertise, product knowledge, marketing skills and overall operational management abilities, the Group organises regular training and development courses for staff, providing them with a competitive remuneration package, including salary, allowance, insurance and commission/bonus. In addition, share options are granted to selected employees based on their individual performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group's outstanding borrowings amounted to HK$420,000, comprising interest-bearing bank borrowings repayable within one year. As at 31 March 2009, the Group's banking facilities were supported by (i) legal charges over the Group's leasehold and buildings, which are all situated in Hong Kong, with carrying value of approximately HK$12,552,000; (ii) cross corporate guarantees given by the Group and certain of its wholly-owned subsidiaries. As at 31 March 2009, banking facilities available to the Group amounted to HK$89,346,000 (2008: HK$182,500,000), which were utilised by the Group to the extent of HK$1,755,000 (2008: HK$147,054,000).

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group was 10% as at 31 March 2009 (2008: 59%). The Group had time deposits and cash balances as at 31 March 2009 amounting to HK$277,897,000 (2008: HK$59,356,000).

Some of the Group's banking facilities are subject to capital requirements imposed by certain creditor banks. During the year ended 31 March 2009, the Group did not comply with the covenants in respect of capital requirements imposed by a creditor bank. Upon discovery of the breach, the directors of the Company has renegotiated with the related creditor bank and obtained a waiver after the year end.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long cooperation relationship so as to minimise risk in its business.

FUTURE PROSPECTS

Looking forward, the Group will continue to expand and strengthen its presence in the PRC market. China, being one of the world's fastest growing economies, offers lucrative potential for fashion accessories brand operators with its virtually untapped market. The Group, being one of the leading enterprises in the fashion accessories market of the PRC, is well-positioned to capitalise on market opportunities in the coming years.

With the onset of the recent global financial turmoil, continued inflation pressure in the PRC and the drop in consumer sentiment, the Group will work prudently to expand its retail networks. According to our long-term strategy of introducing distributors to run our retail outlets, the Group will also be able to capitalise on the strengths of these distributors and expand swiftly in the most cost-efficient way.

We have embarked on new business strategies as follows:

Retail Business

1. Our brands were well developed in the fashion accessories market during past years. Successful brand reputation achieved through quick penetration into the market has attracted quality distributors, and we aim to replace self-operated stores by distributors' stores. Through the distributors' networks, we can enhance our operation efficiency and operation expansion. A distributor conference was held by the Group in Shenzhen in early July 2009 which drew positive response. Certain strong distributors are identified and are in preparation for entering into cooperation agreements with the Group.

2. The Group will also seek cooperation with renowned corporations to form strategic alliances and joint-ventures. With the successful establishment and expansion of the Q'ggle brand, we plan to further expand the network to second and third tier cities in China.

3. To extend distribution network for better sales performance by facilitating cooperation with international brands, such as BARBIE, and strengthening our brand awareness and multi-channel sales development.

4. To develop e-commerce and online sales and expand interaction between our brands and potential customers through e-commerce platforms. For instance, Artini and Q'ggle have established online shopping websites. In addition, the Group has cooperated with QQ paipai, Digital China, Corporate Banking, etc. Such platforms will facilitate sales increase and extend the Group's business coverage globally to overseas markets to acquire larger market share.

5. To undertake large scale activity projects, such as the Group's successful acquisition of production and sales rights in the 2010 Asian Games.

CDM Business

1. To increase the production of products with high profit margins and allocate more production capacity for such products, while products with low profit margins are outsourced to quality contractors.

2. To leverage the increasing demand for gifts in the PRC market, the Group will further enhance its product offerings and explore greater market opportunities by co-operating with large corporations to design and produce gifts and premium items for their existing and target customers.

3. To develop CDM wholesale business and explore new markets by leveraging the brand awareness of Artini, Q'ggle and Artist Empire.

Meanwhile, the Group will continue to maintain its existing international customer portfolio to achieve steady growth in its CDM business. Stringent cost control measures will be implemented to maintain our margins at a reasonable level and to increase the profitability of this business.

Currently, although the consuming power of overseas markets and for luxury products has been reduced, the consuming power of the middle class in the PRC (i.e. the target consumers of the Group) increases yearly and shows large market potential. The Group keeps abreast of market trend and achieves stable development of our sales business by capitalising on sufficient cash flow and customer resources. The fashion accessories industry in the PRC is picking up momentum for further growth and has substantial business opportunities. We will gradually launch various market adjustment activities under comprehensive plans with well-supported corporate resources. It is believed that we can promptly eliminate the unfavourable impacts from the external environment and turn our business around to achieve stable growth.

Looking ahead, we will dedicate ourselves to consolidating our position as the leading multi-brand retail operator of fashion accessories in China and adopting the multi-brand and multi-channel development strategy to continue to expand business activities across the country as Artini aspires to become a multi-brand operator. We will further cooperate with international brands of different market positioning, and utilise our established platforms and resources to expand our share in the fashion accessories market. We are committed to bringing positive returns to our shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practice

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, the Company has complied with all the provisions in the CG Code during the year ended 31 March 2009.

Under provision A.2.1 of the CG Code, the roles of the Chairman and the chief executive officer ("CEO") should be separate and should not be performed by the same individual. The role of the Chairman was performed by Mr. Tse Chiu Kwan ("Mr. Tse"). Mr. Tse is one of the founders of the Group and possesses rich knowledge and experience of the jewellery industry and related industries. The Board believes that vesting the role of the Chairman in Mr. Tse provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders.

The Company has not appointed a CEO during the year under review. The overall management of the Company was performed by Mr. Tse Chiu Kwan, Ms. Yip Ying Kam, Mr. Xie Hai Hui and Ms. Ho Pui Yin, Jenny are Directors who have extensive experience in the jewellery industry. Their respective area of profession spearheaded the Group's overall development and business strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and to determine the appointment of the position of CEO, if necessary.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended 31 March 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2009, the Company repurchased 7,762,000 shares of HK$0.10 each in the capital of the Company at prices ranging from HK$0.38 to HK$0.59 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of ordinary shares repurchased	Purchase price per ordinary share		Aggregate purchase price
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$)*
October 2008	4,202,000	0.48	0.38	1,769,635
January 2009	3,560,000	0.59	0.46	1,983,140
Total	7,762,000			3,752,775

The Directors considered that shares were repurchased during the year to reduce the dilutive effect of granting of share options.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Audit Committee

The audit committee of the Company ("Audit Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, all are independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Ms. Chan Man Tuen, Irene and Mr. Fan William Chung Yue. The Audit Committee has held meetings with the Company's auditors, KPMG, to discuss the auditing, internal controls and financial reporting matters of the Company. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2009, and the interim financial statements for the six months ended 30 September 2008.

Publication of annual results announcement and annual report

The announcement of Group's consolidated financial statements for the year ended 31 March 2009 is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.artini-china.com.

The 2009 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
Artini China Co. Ltd.
Tse Chiu Kwan
Chairman

Hong Kong, 17 July 2009

As at the date of this announcement, the executive Directors are Mr. Tse Chiu Kwan, Mr. Xie Hai Hui, Ms. Ho Pui Yin, Jenny and Mr. Lin Shao Hua; the non-executive Director is Ms. Yip Ying Kam and the independent non-executive Directors are Ms. Chan Man Tuen, Irene, Mr. Lau Fai Lawrence and Mr. Fan William Chung Yue.