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ARTINI

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 2011

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2011, with comparative figures for the preceding financial year ended 31 March 2010, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	6,7	**362,921**	366,119
Cost of sales		**(217,865)**	(190,342)
Gross profit		**145,056**	175,777
Other revenue	8	**2,482**	2,850
Other net loss	8	**(16,521)**	(1,794)
Selling and distribution costs		**(195,641)**	(210,192)
Administrative expenses		**(60,521)**	(55,939)
Other operating expenses		**(44,961)**	(9,185)
Loss from operations		**(170,106)**	(98,483)
Finance costs	9(a)	**(3,630)**	(1,256)
Share of loss of an associate		**(210)**	(88)
Loss before taxation	9	**(173,946)**	(99,827)
Income tax	10	**(2,771)**	(622)
Loss for the year		**(176,717)**	(100,449)
Attributable to:			
Owners of the Company		**(176,555)**	(100,449)
Non-controlling interests		**(162)**	—
		(176,717)	(100,449)
Loss per share *(HK$)*	11		
Basic		**(0.143)**	(0.098)
Diluted		**(0.143)**	(0.098)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Loss for the year		**(176,717)**	(100,449)
Other comprehensive income			
Exchange differences on consolidation		**10,428**	778
Total comprehensive loss for the year, net of tax		**(166,289)**	(99,671)
Attributable to:			
Owners of the Company		**(166,127)**	(99,671)
Non-controlling interests		**(162)**	—
		(166,289)	(99,671)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	As at 31 March 2011 HK$'000	2010 HK$'000 (Restated)	As at 1 April 2009 HK$'000 (Restated)
Non-current assets				
Fixed assets				
— Investment property		**—**	3,492	3,766
— Property, plant and equipment		**82,393**	84,553	76,913
— Interests in leasehold land held for own use under operating leases		**9,541**	10,310	10,852
Intangible assets	12	**14,794**	2,935	6,311
Goodwill	13	**7,123**	—	—
Interest in an associate		**—**	410	—
Rental deposits		**7,972**	7,993	13,095
Deferred tax assets		**11,526**	11,263	10,146
		133,349	120,956	121,083
Current assets				
Trading securities		**24,400**	21,126	—
Inventories		**82,928**	70,311	56,327
Trade and other receivables	14	**110,163**	141,735	57,956
Current tax recoverable		**947**	964	1,477
Cash and cash equivalents		**131,117**	191,431	277,897
		349,555	425,567	393,657
Current liabilities				
Trade and other payables	15	**55,568**	61,486	49,501
Convertible bonds		**—**	15,620	—
Embedded financial derivatives		**—**	2,644	—
Bank loans		**23,680**	—	420
Obligations under finance leases		**1,340**	233	181
Current tax payable		**2,273**	1,458	1,083
		82,861	81,441	51,185
Net current assets		**266,694**	344,126	342,472
Total assets less current liabilities		**400,043**	465,082	463,555
Non-current liabilities				
Obligations under finance leases		**1,148**	231	—
Deferred tax liabilities		**4,882**	1,659	2,030
		6,030	1,890	2,030
NET ASSETS		**394,013**	463,192	461,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2011

		As at 31 March		As at 1 April
		2011	2010	2009
	Note	***HK$'000***	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
CAPITAL AND RESERVES				
Share capital		**123,732**	111,654	99,224
Reserves		**268,840**	351,538	362,301
Total capital and reserves attributable to owners of the Company		**392,572**	463,192	461,525
Non-controlling interests		**1,441**	—	—
TOTAL EQUITY		**394,013**	463,192	461,525

NOTES
For the year ended 31 March 2011

1. COMPANY BACKGROUND

Artini China Co. Ltd. (the "Company") 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.

2. BASIS OF PRESENTATION

The consolidated results set out in the announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2011 but are extracted from those consolidated financial statements. These 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 ("HKASs") 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.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 financial statements except for the adoption of the new/revised HKFRS effective from the current year that are relevant to the Group as detailed in note 4.

3. BASIS OF PREPARATION

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic effects of the underlying transactions, events and conditions relevant to the entity. The financial statements are presented in Hong Kong Dollars (HK$), rounded to the nearest thousand except for per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that trading securities and derivative financial instruments are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several revised HKFRSs, a number of amendments to HKFRSs and several new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

HKFRS 3 (Revised): *Business Combinations*/Improvements to HKFRSs 2009 with amendments to HKFRS 3 (Revised)

The revised Standard introduces a number of major changes including the following:

- acquisition-related transaction costs, other than share and debt issue costs, to be expensed as incurred;
- existing interest in the acquiree to be remeasured at fair value, with the gain or loss recognised in profit or loss, upon subsequent changes in ownership interests;
- non-controlling interest in the acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree;
- contingent consideration to be recognised at fair value at the acquisition date; and
- goodwill to be measured at the excess of the aggregate of the acquisition-date fair value of the acquirer's interest in the acquiree and the amount of any non-controlling interest over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed from the acquisition.

The Improvements to HKFRSs 2009 contains amendments to clarify the measurement of the fair value of an intangible asset acquired in a business combination and to permit the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

HKAS 27 (Revised): *Consolidated and Separate Financial Statements*

The revised Standard requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in profit or loss. This principle is also extended to a disposal of an associate through the consequential amendments to HKAS 28: *Investments in Associates*. Consistent with the transitional provisions in HKFRS3, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

The revised HKFRS 3 and the consequential amendments to HKAS 27 and other HKFRSs were applied to all acquisitions during the year. For a step acquisition from associate to subsidiary during the year, as detailed in note 16, goodwill is required to be determined only at the date control is obtained rather than at the previous stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value, with any gain or loss of HK$1,663,000 recorded in the consolidated income statement. Acquisition related costs of HK$65,720 have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. The Group has chosen to recognise the non-controlling interest at the proportionate share of net assets of the acquiree rather than fair value. Previously, only proportionate share of net assets is allowed.

Amendments to HKAS 17: *Classification of leases of land and buildings* included in Improvements to HKFRSs 2009

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present as interests in leasehold land held for own use under operating leases under fixed assets in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. Instead, the amendments require that the classification of leasehold land to be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualities for finance lease classification has been reclassified from interests in leasehold land held for own use under operating lease to property, plant and equipment retrospectively. The effect of the application of this amendment on the financial positions of the Group as at 1 April 2009 and 31 March 2010 are as follows:

Carrying Amount	**Property, plant and equipment**	**Interests in leasehold land held for own use under operating leases**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2009, originally stated	66,803	20,962	87,765
Effect of the adoption of the amendments to HKAS 17	10,110	(10,110)	—
As at 1 April 2009 (restated)	76,913	10,852	87,765
As at 31 March 2010, originally stated	74,773	20,090	94,863
Effect of the adoption of the amendments to HKAS 17	9,780	(9,780)	—
As at 31 March 2010 (restated)	84,553	10,310	94,863

	2011	2010
	HK$'000	*HK$'000*
Increase in depreciation of property, plant and equipment	**330**	330
Decrease in amortisation of interests in leasehold land held for own use under operating lease	**(330)**	(330)

The application of this amendment did not have any impact on the results of the Group for the current and prior accounting periods.

HK — Int 5: *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The Interpretation concludes that, if a term loan (i.e. a loan that is repayable on a specified date or in installments over a specified period, usually in excess of one year) has a demand clause (i.e. a clause that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion) in its term, the loan shall be classified by the borrower as a current liability in the statement of financial position. Similarly, the amounts repayable under such a term loan shall be classified in the earliest time bracket in the contractual maturity analysis as required to be disclosed under HKFRS 7: *Financial Instruments: Disclosures*.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$23,680,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Amendments to HKFRS 8: *Disclosure of information about segment assets*

The Amendments clarify that the disclosure of segment assets is required only if that measure is regularly reported to the chief operating decision-maker. Segment assets are not reported to the Group's chief operating decision-maker regularly. As a result, reportable segment assets have not been presented in these financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

The financial statements contain information about the assumptions and their risk factors relating to fair value of convertible bonds, equity-settled share-based financial instruments and other financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of fixed assets and intangible assets

The Group assesses annually whether fixed assets and intangible assets have any indication of impairment in accordance with the relevant accounting policies. If such indication exists, the recoverable amounts of the assets would be determined by reference to value in use and net selling price. Value in use is determined using the discounted cash flow method. Owing to inherent risk associated with estimations in the timing and magnitude of the future cash flows and net selling prices, the estimated recoverable amount of the assets may be different from its actual recoverable amount and profit or loss could be affected by accuracy of the estimations.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Details of the impairment loss calculation are set out in note 13.

(c) Impairment of trade and other receivables

If circumstances indicate that the carrying amount of trade and other receivables may not be recoverable, the assets may be considered impaired and an impairment loss may be recognised. The carrying amounts of trade and other receivables are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The recoverable amount of trade and other receivables is the estimated future cash flows discounted at the current market rate of return of similar assets. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount. Owing to inherent risk associated with estimations of the recoverable amount, the actual recoverable amount of the receivables may be different from the estimations and profit or loss could be affected by the accuracy of the estimations.

(d) Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analyses, historical consumption trends and management experience and judgement. Based on this review, write down of inventories would be made when the carrying amounts of inventories decline below their estimated net realisable value. Owing to changes in market trend, actual sales may be different from estimation and profit or loss could be affected by the accuracy of this estimation.

(e) Provision for income tax

Provision for income tax is made based on the taxable income for the year as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretations of the relevant tax rules and regulations. The amount of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

(f) Fair value estimation of the identifiable assets and liabilities acquired

On 31 December 2010, the Group entered into an agreement to acquire entire interest of Glamm International Trading (Dalian) Co., Ltd. ("Glamm Dalian"), details are set out in note 16(b). In accordance with the accounting policy of the Group, the net identifiable liabilities acquired in the Glamm Dalian are recorded at fair value at the date of acquisition.

The fair value of identifiable assets and liabilities of Glamm Dalian at the acquisition date are determined by an independent professionally qualified valuer. In determining the fair value, the valuer used assumptions and estimates that include the growth rate, royalty rate, discount rates and budgeted gross margin. Judgement is required to determine the principal valuation assumptions in arriving the fair values.

6. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by different business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable 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.

The Group's customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's revenues.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is profit before tax. The Group's most senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's most senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2011 and 2010 is set out below.

	2011					
	Retailing and distribution					
	Mainland China *HK$'000*	**Hong Kong and Macao** *HK$'000*	**Sub-total** *HK$'000*	**CDM sales** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Consolidated** *HK$'000*
Revenue from external customers	**93,394**	**28,437**	**121,831**	**241,090**	**—**	**362,921**
Inter-segment revenue	**—**	**—**	**—**	**30,955**	**(30,955)**	**—**
Reportable segment revenue	**93,394**	**28,437**	**121,831**	**272,045**	**(30,955)**	**362,921**
Reportable segment (loss) profit	**(85,689)**	**(34,031)**	**(119,720)**	**48,765**		**(70,955)**
Unallocated income and expenses						**(105,762)**
Loss for the year						**(176,717)**

	2010					
	Retailing and distribution					
	Mainland China *HK$'000*	Hong Kong and Macao *HK$'000*	Sub-total *HK$'000*	CDM sales *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	127,028	25,175	152,203	213,916	—	366,119
Inter-segment revenue	—	—	—	26,538	(26,538)	—
Reportable segment revenue	127,028	25,175	152,203	240,454	(26,538)	366,119
Reportable segment (loss) profit	(86,026)	(6,990)	(93,016)	47,806		(45,210)
Unallocated income and expenses						(55,239)
Loss for the year						(100,449)

(b) **Reconciliation of reportable segment loss**

	2011 *HK$'000*	2010 *HK$'000*
Reportable segment loss derived from Group's external customers	**70,955**	45,210
Share of loss of an associate	**210**	88
Net finance costs	**3,630**	1,256
Income tax expense	**2,771**	622
Unallocated head office and corporate expenses	**99,151**	53,273
Consolidated loss for the year	**176,717**	100,449

(c) **Geographical information**

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2011 *HK$'000*	2010 *HK$'000*
Revenue from external customers		
Hong Kong and Macao	**63,504**	53,207
The PRC	**100,146**	130,809
Other parts of Asia	**16,405**	2,673
Americas	**54,524**	81,341
Europe	**124,008**	75,154
Africa	**4,334**	22,935
	362,921	366,119

The following table sets out information about the geographical location of the Group's non-current assets other than deferred tax assets. The geographical location of the non-current assets is based on the physical location of the asset, in case of fixed assets and the location of the operation to which they are allocated, in case of intangible assets, goodwill, interest in an associate and rental deposits.

	2011 *HK$'000*	2010 *HK$'000*
Non-current assets		
Hong Kong and Macao	**21,370**	18,686
The PRC	**100,453**	91,007
	121,823	109,693

7. 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 excluding sales tax, value-added tax, discounts and returns.

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

	2011 *HK$'000*	2010 *HK$'000*
Retailing and distribution		
— Hong Kong and Macao	**28,437**	25,175
— The PRC	**93,394**	127,028
CDM	**241,090**	213,916
	362,921	366,119

8. OTHER REVENUE AND NET LOSS

	2011 HK$'000	2010 HK$'000
Other revenue		
Interest income	**1,010**	1,078
Government subsidies	**—**	1,168
Gross rental income from investment property	**75**	300
Dividend income from trading securities	**352**	120
Others	**1,045**	184
	2,482	2,850
Other net loss		
Net exchange loss	**(497)**	(95)
Provision for long service payments	**—**	(740)
Net realised and unrealised losses on trading securities	**(8,826)**	(2,117)
Net gain on change in fair value of derivative financial instruments	**757**	1,009
Realised loss on redemption of convertible bonds	**(3,759)**	—
Compensation for minimum purchase commitment	**(7,300)**	—
Fair value gain on step acquisition of a subsidiary	**1,663**	—
Net gain on disposal of investment properties	**1,543**	—
Net (loss)/gain on disposal of property, plant and equipment	**(102)**	149
	(16,521)	(1,794)

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2011 HK$'000	2010 HK$'000
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	**1,695**	7
	Imputed interest on convertible bonds	**1,710**	1,242
	Finance charges on obligations under finance leases	**225**	7
		3,630	1,256
(b)	**Staff costs (included directors' remuneration):**		
	Salaries, wages and other benefits	**105,403**	116,553
	Equity-settled share-based payment expenses	**10,181**	7,554
	Contributions to defined contribution retirement plans	**11,120**	10,421
		126,704	134,528
(c)	**Other items:**		
	Depreciation		
	— assets held under finance leases	**816**	10
	— other assets	**20,622**	21,495
	Amortisation		
	— intangible assets (included in selling and administrative expenses)	**3,699**	3,391
	Allowance for doubtful debts on trade and other receivables	**13,008**	198
	Impairment loss on trade and other receivables	**7,701**	5,962
	Loss on property, plant and equipment and inventories on fire accident	**18,541**	—
	Cost of inventories#	**217,865**	190,342

Cost of inventories includes HK$48,674,000 (2010: HK$49,017,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2011 *HK$'000*	2010 *HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,146**	136
Over provision in respect of prior years	**—**	(8)
	1,146	128
Current tax — PRC		
Provision for the year	**—**	768
Under provision in respect of prior years	**7**	1,199
	7	1,967
Deferred tax		
Origination and reversal of temporary differences	**(299)**	(1,473)
Effect of withholding tax on the undistributed earnings of a PRC subsidiary	**1,917**	—
	1,618	(1,473)
Income tax expense	**2,771**	622

Notes:

(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) Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the Group's estimated assessable profits arising from Hong Kong during 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) Pursuant to the Corporate Income Tax Law of the PRC (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 calendar 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 corporate income tax for two years starting from their first profit-making year in 2005, followed by a 50% reduction in the PRC corporate income tax for three years through 2009.

(vi) Under the New Tax Law, a 10% withholding tax is 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 is 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.

11. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 March 2011 is based on the loss attributable to owners of the Company of HK$176,555,000 (2010: HK$100,449,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2011 of 1,235,302,386 (2010: 1,021,125,945).

Weighted average number of ordinary shares

	2011 Number of shares	2010 Number of shares
Issued ordinary shares at 1 April	**1,116,538,000**	992,238,000
Effect of shares issued under share placement	**62,943,356**	17,835,616
Effect of shares issued under share option schemes	**44,740,411**	11,052,329
Effect of shares upon conversion of convertible bonds	**16,296,071**	—
Effect of shares repurchased	**(5,215,452)**	—
Weighted average number of shares at 31 March	**1,235,302,386**	1,021,125,945

Diluted loss per share amounts for the current and prior years are the same as the basic loss per share amounts as the potential ordinary shares outstanding during both years had an anti-dilutive effect on the basic loss per share amounts for the current and prior year.

12. INTANGIBLE ASSETS

	Licence fees	Trademarks	Licence right	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 April 2009	6,765	593	—	7,358
Exchange differences	17	—	—	17
At 31 March 2010	6,782	593	—	7,375
At 1 April 2010	6,782	593	—	7,375
Addition	582	886	—	1,468
Addition — business combination	—	—	14,048	14,048
Exchange differences	281	—	—	281
At 31 March 2011	**7,645**	**1,479**	**14,048**	**23,172**
Accumulated amortisation:				
At 1 April 2009	1,047	—	—	1,047
Charge for the year	3,391	—	—	3,391
Exchange differences	2	—	—	2
At 31 March 2010	4,440	—	—	4,440
At 1 April 2010	4,440	—	—	4,440
Charge for the year	2,422	—	1,277	3,699
Exchange differences	239	—	—	239
At 31 March 2011	**7,101**	**—**	**1,277**	**8,378**
Net carrying amount:				
At 31 March 2011	**544**	**1,479**	**12,771**	**14,794**
At 31 March 2010	2,342	593	—	2,935

Trademarks represent the registration cost of the Group's trademarks used in the manufacture and sale of the Group's products. The trademarks related to the Group's brand name are considered to have indefinite useful lives and are not amortised.

The licence fees represent the fee paid for using certain trademarks of third parties, which are capitalised and amortised on a straight-line basis over the contract periods of 2 to 3 years. The amortisation charge for the year is included in "Selling and distribution costs" in the consolidated income statement.

Licence right represent intangible assets purchased as a result of a business combination. The fair value of the licence right was valued at approximately HK$14,048,000 by an independent qualified professional valuer at the date of acquisition. This licence right acquired for manufacture, distribution and sale of trademarks of third parties are amortised on the straight-line basis over the contract period of 3 years. The basis of the recoverable amounts of the licence right together with the goodwill arising from the business combination are set out in note 13.

13. GOODWILL

	2011
	HK$'000
Reconciliation of carrying amount	
Arising on acquisition of a subsidiary	**4,661**
Arising on step acquisition of a subsidiary	**2,462**
At the end of the reporting period	**7,123**

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating unit ("CGU"), attributable to two subsidiaries in retailing and distribution operating segment. The carrying amounts of goodwill as at 31 March 2011 allocated to them are as follows:

	2011
	HK$'000
Retailing and distribution operating segment	
— Glamm International Trading (Dalian) Co., Ltd. ("Glamm Dalian")	**4,661**
— Q'ggle Lingerie Company Limited ("Q'ggle")	**2,462**
At the end of the reporting period	**7,123**

The recoverable amount of a CGU of Glamm Dalian and Q'ggle are determined base on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets performed by management. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. The details of the key assumptions used for the value-in-use calculations are as follows:

(a) Goodwill and licence right from acquisition of Glamm Dalian

The cash flow projection is based on the forecast approved by management covering a period of 3 years. Growth rate used in the projection is based on the expected growth rate of the market and expected market share. The discount rate applied to the cash flow projection is 21.58% which reflects specific risk relating to timepiece business in the PRC.

(b) Goodwill from acquisition of Q'ggle

The cash flow projection is based on the forecast approved by management covering a period of 2 years. The key assumptions adopted by management in the preparation of cash flow projections for the purpose of impairment testing of goodwill are as follows:

(i) Turnover — turnover is based on the expected growth rate of the market in which Q'ggle operates and the expected market share.

(ii) Budgeted gross margins — it is based on the historical gross margins achieved in prior years.

(iii) Inflation of cost of goods sold — the basis used to determine the value assigned to cost of goods sold is 5% annually in Hong Kong.

(iv) Operating expenses — The bases used to determine the value assigned are staff head counts, number of shops operates and price inflation. The value assigned to the key assumption reflects past experience and management's commitment to maintain its operating expenses to an acceptable level.

The management of the Group has determined that there is no impairment on the CGUs containing goodwill and intangible asset for the year ended 31 March 2011.

14. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade debtors	**49,526**	40,780
Less: Allowance for doubtful debts *(note 14(b))*	**(9,752)**	(344)
	39,774	40,436
Rental deposits	**10,168**	10,799
Prepayment for purchase of raw materials	**25,306**	11,115
Prepayment for advertising service	**2,835**	10,000
Deposits for acquisition of business *(note 14(c))*	**15,000**	37,600
Temporary payments	**—**	10,343
Loan receivable *(note 14(d))*	**5,477**	—
Other prepayments and receivables	**11,603**	21,442
	110,163	141,735

(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 end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
Current	**24,429**	25,655
Less than 3 months past due	**10,172**	11,394
3 to 6 months past due	**1,687**	2,517
Over 6 months past due	**3,486**	870
Amounts past due	**15,345**	14,781
	39,774	40,436

Trade debtors are due within 30 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 are as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**344**	2,960
Impairment loss recognised	**9,408**	198
Uncollectible amounts written off	**—**	(2,814)
At 31 March	**9,752**	344

At 31 March 2011, 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 14(a).

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.

(c) Deposits for acquisition of businesses

i) On 26 April 2010, the Group entered into a letter of intent ("first LOI") to acquire 50% equity interest in a company which was in the process of applying for a land use right for the development of logistic business in the PRC and a deposit of HK$15,000,000 was paid by the Group. In view of that the delay in the progress of the project and the management had changed its intention to focus on its core business, on 13 June 2011, the Group entered into another letter of intent ("second LOI") to dispose of its right and obligation of investment under the first LOI to a 3rd party at a consideration of RMB13,300,000 (approximately HK$15,747,000).

Deposits for the disposal of the investment right in aggregate of RMB3,990,000 (approximately HK$4,724,000) have been received subsequently. The final payment of RMB9,310,000 (approximately HK$11,023,000) is expected to be settled within 2 months from 13 June 2011.

ii) On 25 January 2010, the Group entered into a letter of intent to acquire Glamm Dalian which holds a licence for manufacture and trading of a sport brand timepiece products and a deposit of RMB20,000,000 (approximately HK$$22,600,000) was paid by the Group. On 31 December 2010, the Group entered into shares transfer agreement to acquire the entire equity interest in Glamm Dalian at a consideration of RMB13,700,000 (approximately HK$16,000,000), as further detailed in note 16(b).

(d) Loan receivable

In March 2010, the Group entered into a letter of intent to acquire 20% equity interest in another company which is engaged in trading of food products and HK$15,000,000 was paid by the Group as a deposit. The proposed business combination was decided to be terminated by the Group in August 2010. On 19 October 2010, the deposit paid for acquisition was converted into an interesting-bearing loan to the shareholder of the company.

The loan receivable is unsecured and interest-bearing at 8% per annum with last installment due on 31 January 2011. As at 31 March 2011, the outstanding loan receivable balance of HK$9,000,000 before impairment together with the related interest of HK$77,000 were past due over two months. Despite the repeated demands made by the Group, the borrower failed to make repayment on time according to the subsequent agreed schedule. The directors of the Company assessed the recoverability of the outstanding balance and the accrued interest, taken into account of the receipt of aggregate amounts of HK$3,600,000 subsequent to the end of reporting date, determined to recognise an allowance for impairment loss of HK$3,600,000 during the year ended 31 March 2011.

15. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade creditors	**8,573**	8,329
Receipts in advance	**13,948**	17,611
Value added tax and other tax payable	**356**	6,170
Provision for onerous contracts	**3,048**	2,094
Accrued charges and other payables	**29,643**	27,282
	55,568	61,486

Notes:

(i) 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.

(ii) Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
By date of invoice:		
With 3 months	**8,473**	8,268
More than 3 months but within 6 months	**93**	53
More than 6 months but within 1 year	**5**	8
Over 1 year	**2**	—
	8,573	8,329

16. BUSINESS COMBINATION

(a) Step acquisition from associate to subsidiary

On 5 January 2011, the Group subscribed 5,000,000 shares allotment of Q'ggle, which is principally engaged in retail business of lingerie in the PRC, Hong Kong and Macao for a cash consideration of HK$5,000,000. Prior to the business combination, the Group already held 19.9% equity interest in Q'ggle and was accounted for by equity accounting. As a result of the business combination, the Group held 73.3% equity interest in Q'ggle. The Group has selected to measure the non-controlling interest at its proportionate interest in the identifiable assets and liabilities of the acquiree.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the date of acquisition:

	Fair value
	HK$'000
Property, plant and equipment	**238**
Cash and cash equivalents	**213**
Trade and other receivables	**6,084**
Inventories	**65**
Trade and other payables	**(596)**
Total identifiable net assets acquired	**6,004**
Fair value of the equity interest held	
before the business combination	**(1,863)**
Non-controlling interest	**(1,603)**
Goodwill arising on acquisition	**2,462**
Cash consideration paid	**5,000**

	HK$'000
Net cash outflow on acquisition of subsidiary:	
Consideration paid	**(5,000)**
Net cash acquired from the subsidiary	**213**
	(4,787)

The transaction costs of HK$65,720 have been excluded from the consideration transferred and included in administrative expenses in the consolidated income statement.

The Company recognised a gain on step acquisition of HK$1,663,000 as a result of measuring at fair value its 19.9% equity interest in Q'ggle held before the business combination. The gain is included in other net loss in the consolidated income statement for the year.

The goodwill arising from the acquisition is attributable to the synergies and economies of scale expected to arise from the business combinations. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired business made no significant contribution to revenue and results of the Group.

If the acquisition had been completed on 1 April 2010, the Group turnover and loss for the year would have been HK$362,921,000 and HK$177,773,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is intended to be a projection of future results.

(b) Acquisition of a subsidiary

On 31 December 2010, the Group entered into an agreement with Glamm Holdings Limited to acquire entire interest of Glamm Dalian, which holds a licence right to manufacture, distribute and sell a sport brand timepiece products in the PRC for a cash consideration of HK$16,000,000.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed, as well as the amount of intangible asset and goodwill arising from the acquisition recognised at the date of acquisition:

	Fair value
	HK$'000
Property, plant and equipment	**23**
Intangible asset	**14,048**
Cash and cash equivalents	**271**
Trade and other receivables	**997**
Inventories	**11**
Trade and other payables	**(499)**
Deferred tax liabilities	**(3,512)**
Total identifiable net assets acquired	**11,339**
Goodwill arising on acquisition	**4,661**
Cash consideration paid	**16,000**

	HK$'000
Net cash outflow on acquisition of subsidiary:	
Consideration paid	**(16,000)**
Net cash acquired from the subsidiary	**271**
	(15,729)

The goodwill arising on the acquisition of Glamm Dalian is attributable to the anticipated profitability of the sales and distribution of the Group's sport brand products in the new markets and the anticipated future operating synergies from the combination.

Glamm Dalian contributed HK$Nil to the Group's turnover and approximately HK$217,000 loss to the Group's loss before tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2010, the Group turnover and loss for the year would have been HK$364,240,000 and HK$176,923,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is intended to be a projection of future results.

17. FIRE ACCIDENT

On 22 November 2010, there was a fire at the Group's production plant in Hai Feng, PRC. As a result of the fire accident, certain of the machineries, equipment, inventories and factory building were damaged. The direct damages and losses amounted to approximately HK$18,541,000, consisting of about HK$6,594,000 and HK$11,947,000 relating to fixed assets and inventories respectively.

While the Group is currently liaising with its insurer for settlement of compensation, as at the date of this announcement it is uncertain the amount of compensation on the relevant losses of the Group that would be recovered from the insurance. Management considers that the realisation of the compensation is probable but not virtually certain at the end of the reporting date.

18. SUBSEQUENT EVENTS

On 28 March 2011, the Group entered into agreements on acquisition of three properties from Mr. Tse Chiu Kwan ("Mr. Tse"), the Chairman, an executive director and a controlling shareholder of the Company, at an aggregate consideration of approximately HK$7,823,000. On 8 April 2011 a deposit of approximately HK$4,694,000 was paid to Mr Tse. The completion of these transactions is subject to the transfer of ownership of these properties to the Group. Up to the date of this announcement, the transfer of ownership is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the year ended 31 March 2011 (the "Year"), China's macroeconomic environment continued its growth momentum on the whole. According to economic data published by the National Bureau of Statistics of China, total retail sales of consumer goods of China in the first four months of the year was RMB5.65 trillion. Despite a declining growth rate, it experienced an increase of 16.5%, indicating that the retail business and consumer confidence in China remain positive and the demand for trendy accessories is strong, favourable to the development of the Group.

In order to capture ongoing growth in the Mainland consuming market, the Group continued to undergo business integration during the Year, strategically adjusted the coverage of retail points and strengthened the distributorship business model to expand our sales network, as well as explore the television and online platforms for direct sales. In this way, we can effectively control costs and accelerate growth of retail within a short period of time to maximise the shareholders' returns.

Business Review

For the Year, the Group recorded a total turnover of approximately HK$362,921,000 (2010: HK$366,119,000), representing a decrease of 0.9% compared with last year. This was mainly due to the strategic consolidation of our overall business development and the decrease in the number of retail points. The gross profit was HK$145,056,000 (2010: HK$175,777,000), representing a decrease of 17.5% compared with last year. During the Year, loss attributable to the owners of the Company was HK$176,555,000, representing an increase of 75.8% as compared with last year (2010: HK$100,449,000). The loss was mainly attributable to loss of retail business of HK$119,720,000; loss on redemption of convertible bonds of HK$3,759,000; and compensation for minimum purchase commitment of HK$7,300,000 and impairment loss of trade and other receivables of HK$20,709,000 and loss on fire accident of HK$18,541,000. Loss per share was HK$0.143 (2010: HK$0.098).

The Board does not recommend the payment of any final dividends for the year ended 31 March 2011 (2010: Nil).

Retail Business

The Group has adopted the "multi-brand strategy" to develop our retail business. Our portfolio includes brands such as "Artini", "Q'ggle", "Q'ggle Lingerie", "NBA", "Barbie" and "Disney". During the Year, the Group became the first fashion accessories brand to cooperate with GuangDong Post Advertising Co. Ltd. ("China Post") to develop various postal-related products based on Artini's accessory products. The Group is also permitted to use post offices designated by China Post for direct mail orders, developed online sales platforms to sell our products, and held ongoing marketing activities for customers of China Post to promote our products.

In December 2010, the Group entered into a distribution contract with Gruppo Cartorama Srl, a famous European trendy accessories brand agency, under which the Group is appointed as its sole and exclusive distributor for the Mainland China market to introduce several of its famous brands under the trademark "IMAGO". Its branded goods include all kinds of causal bags, gifts and trendy items. The Group was planning to open the first "IMAGO" specialty retail shop in Tai Koo Hui, Guangzhou, providing customers with diversified and trendy European fashion goods.

The Group is committed to enhancing the value and variety of its products. During the Year, the Group joined hands with Lenovo, an international computer brand, to launch the Q'ggle rabbit-shaped USB drive and to discuss the possibilities of developing other electronic and computer-related products, providing our customers with more diversified accessories.

During the Year, the Group continued stringent cost control by undergoing internal resources integration, streamlining the labour structure and reducing expenses. Meanwhile, the Group adjusted its operating policies and strengthened the distributorship business model so as to expand the retail business. These moves allowed the Group to establish our sales networks in a cost-effective way while reducing operating expenses. The Group also strategically closed down retail points with relatively poor performance to lower production and operation costs. As at 31 March 2011, the Group had approximately 120 retail points (2010: 150 retail points) in total throughout the Mainland China, Hong Kong and Macao, covering more than 30 Chinese cities. During the Year, the retail business recorded a turnover of HK$121,831,000 (2010: HK$152,203,000), accounted for approximately 33.6% of the Group's total turnover, representing a decrease of 20.0% compared with last year.

(1) Developing new sales channels

During the Year, the Group adjusted the operating strategies, strengthened the distributorship business model to expand the sales network, and established retail points in a cost-effective and efficient way. Our current market has penetrated a majority of towns apart from the first-tier cities in China. The Group granted patent rights of its brands of "Artini" and/or "Q'ggle" to selected qualified and experienced agents to run the shops under the distributorship business model, so as to speed up the expansion rate of its brand shops. Currently, the Group has 21 shops under the distributorship, accounting for approximately 17.5% of the retail points in general.

During the Year, in addition to developing online shopping platform at a relatively low operation cost, the Group also formally cooperated with Hunan TV to expand a TV direct selling platform. In addition to attracting more customers, the new distribution channels could also enhance our brand recognition, making the product distribution developed with great efficiency.

(2) Customer relationship management plan

The Group enhanced the loyalty of its customers by adopting the customer relationship management ("CRM") plan. As at 31 March 2011, the number of prestigious customers of "Artini" was 94,891, an increase of 20.7% comparing with the previous year; and the number of prestigious customers of "Q'ggle" increased by 17.8% to 42,863. Loyal customers contribute to the majority of the Group's income. We conduct ongoing analysis of our customers' shopping behaviour and preferences, and develop our products according to their needs and demand while strategically planning our promotion and related activities.

Concurrent Design Manufacturing ("CDM") Business

During the Year, the Group cooperated actively and closely with internationally renowned brands, including Marks & Spencer, Disney, Playboy, Tommy Hilfiger, Givenchy, Nine West, Nautica, Guess, Amway, Carolee, and Tchibo. We designed and manufactured products for these international brands, and our products are exported worldwide.

Regarding the PRC market, the Group has been actively expanding its business in the gift and premium market by providing one-stop gift and premium services to large-scale enterprises in Mainland China. During the Year, the Group provided gifts and premium manufacture services for China Mobile, Leconte, Amway, China Minsheng Bank and China Merchants Bank, to name a few. Besides, the Group also strengthened its position in the international sport events arena since its participation in the Beijing Olympic Games in 2008. We were appointed as one of the manufacturers of licensed Asian Games merchandise during the Year, to design and manufacture more than 80 items of accessories and gifts for the Guangzhou Asian Games.

During the Year, the Group's CDM business achieved slightly growth, mainly driven by the steady growth in export businesses and the surge of souvenir businesses. Turnover reached HK$241,090,000 (2010: HK$213,916,000), an increase of 12.7% compared with last year. And it represented 66.4% of the Group's total turnover.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the Year amounted to HK$362,921,000, representing a decrease of 0.9% compared to the previous year.

Retail business

The retail business was one of the two major revenue generators for the Year, accounting for 33.6% of the Group's total turnover (2010: 41.6%).

During the Year, turnover from our retail business decreased 20.0% to HK$121,831,000. This decline was mainly due to the decrease in the number of retail points.

Retail business turnover

	2011	2010
	HK$'000	*HK$'000*
Hong Kong and Macao	**28,437**	25,175
The PRC	**93,394**	127,028
Total	**121,831**	152,203

CDM business

CDM business turnover recorded a year-on-year increased of 12.7% to HK$241,090,000 during the Year, accounting for 66.4% of the Group's total turnover (2010: 58.4%). This increase was mainly due to the active marketing strategies adopted with internationally renowned brands.

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the American, the European, and Hong Kong and Macao markets, which accounted for 27.6%, 15.0%, 34.2% and 17.5% of the turnover respectively in 2011, compared to 35.7%, 22.2%, 20.5% and 14.5% in 2010.

Cost of sales

Cost of sales increased from approximately HK$190,342,000 for the year ended 31 March 2010 to approximately HK$217,865,000 for the Year, representing an increase of approximately HK$27,523,000. This was mainly due to the increase in material and production cost.

Gross profit

The overall gross profit of the Group decreased from HK$175,777,000 in 2010 to HK$145,056,000 in 2011, representing a decrease of 17.5%. The gross profit margin also decreased from approximately 48.0% to approximately 40.0%, primarily due to decrease in revenue from retail sales, which has higher gross profit margin than CDM business and decline in gross profit margin of retail business.

Operating expenses

Operating expenses for the Year accounted for 70.6% of the Group's total sales, compared with 72.7% of 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 decreased from approximately HK$210,192,000 for the year ended 31 March 2010 to approximately HK$195,641,000 for the Year, representing a decrease of approximately HK$14,551,000. The reduction in selling and distribution costs was mainly attributable to the decrease in the Group's rental and staff costs as a consequence of the concentrated retail points.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs for Directors and executives. These expenses amounted to HK$60,521,000 for the Year, representing 16.7% of the Group's total sales, compared with 15.3% of last year.

During the Year, other operating expenses increased to HK$44,961,000 (2010: HK$9,185,000) mainly due to the increase in the impairment loss on trade and other receivables from HK$6,160,000 to HK$20,709,000 and fire loss of HK$18,541,000.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was HK$176,555,000 (2010: HK$100,449,000) for the Year.

Financial guarantees issued

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

During the Year under review, the income tax expense of the Group amounted to HK$2,771,000 (2010: HK$622,000). The increase was mainly due to withholding tax paid on the undistributed earnings of a PRC subsidiary and the effect of change in tax rate.

Loss per share

There was an increase in loss per share from HK$0.098 for the year ended 31 March 2010 to loss per share of HK$0.143 for the Year.

Dividend

The Board does not recommend the payment of any final dividends for the Year (2010: HK$Nil).

Foreign exchange exposure

The main business activities of the Group take place in the PRC, the United States, 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 derivative 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 net exchange loss of approximately HK$497,000.

Significant investments and acquisitions

During the Year, the Group subscribed 53.4% interest in addition of an associate of the Group, for a cash consideration of HK$5,000,000, it has then become a subsidiary which 73.3% interest is held by the Group. Besides, the Group acquired entire interest of a company, which holds a licence right to manufacture, distribute and sell a sport brand timepiece products in the PRC for a cash consideration of HK$16,000,000. Save as disclosed herein, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and associated companies. We continued to seek opportunities to acquire and cooperate with international customers in order to generate more returns for the shareholders and the Board will decide what the best available source of funding is for the investments and acquisitions when suitable opportunities arise.

Impairment loss on trade and other receivables

For the Year, the impairment loss on trade and other receivables amounted to approximately HK$20,709,000 (2010: HK$6,160,000).

Employees and emoluments

As at 31 March 2011, the Group had approximately 1,900 employees (2010: 2,290). 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. The Group also participated in retirement benefits schemes for its employees in Hong Kong and the PRC.

Liquidity and financial resources

As at 31 March 2011, the bank loan of the Group amounted to HK$23,680,000, which was denominated in Renminbi, was secured by pledging of a property with carrying value of HK$22,976,000 and repayable by 14 December 2013. As it was a loan with a clause in its term that gave the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it was classified as current liabilities even though the directors did not expect that the bank would exercise their rights to demand repayment.

Apart from this bank loan, the Group has also obtained general banking facilities which were secured by legal charge over certain of its properties with an aggregate carrying value of HK$8,024,000 (2010: HK$11,897,000) and cross corporate guarantee given by the Group. At the end of the reporting period, banking facilities available to the Group amounted to HK$11,598,000 (2010: HK$11,419,000), which were utilised by the Group to the extent of HK$1,250,000 (2010: HK$1,619,000).

As at 31 March 2011, the Group's obligations under finance leases amounted to HK$2,488,000.

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 18.4% as at 31 March 2011 (2010: 15.2%). The Group had time deposits and cash balances as at 31 March 2011 amounted to HK$131,117,000 (2010: HK$191,431,000).

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

Prospects

The Year is a turning point for the long-term development of our overall business. The Group has restructured our business development strategies. We are optimistic that a solid foundation will be laid for the Group's steady development, which will enable us to post a profit.

The Group will continue to target the China market, and is now identifying new sales channels to strengthen the sales network, such as further expand TV direct-sales platform and online sales opportunities. The moves would enhance our business coverage and scale in Mainland China and strengthen the interaction with our customers and products promotion.

In addition, the Group is developing a new product collection — wedding accessories — which will be launched next year. As a result, the Group is able to develop new products and provide more choices for customers, and at the same time enter the wedding accessories market.

The Group continues to identify new customers of its CDM business throughout the world, particularly customers from developing countries such as China and Russia. In addition, there is still plenty of rooms to develop gifts and premium items in the global gifts market. The Group will continue to explore more market opportunities by proactively cooperating with large enterprises to tailor-made and produce gifts and premium items for existing and target customers.

In addition, following the Beijing Olympic and the Guangzhou Asian Games, the Group has once again become a supplier of accessories and gifts for a major sports event, Universiade 2011. This will be held in Shenzhen in August. The Group will provide themed exquisite gifts, demonstrating our leading position in this area.

Targeting the "individual traveler" market and the Greater China region, following the launch of huge outdoor billboards, the Group has invited Ms. Zhao Wei (趙薇), who has won the best actress award of Golden Rooster Hundred Flowers Film Festival, as Artini's new spokesperson during the Year. Ms. Zhao's strong popularity in Mainland China, Hong Kong and Taiwan will surely help further enhance the brand's existing image.

Riding on our high quality design and products, the Group seeks to extend creative elements of refinement and fashion into various fashionable women's daily necessities, and to establish the "Artini exquisite ladies living concept", targeting fashion culture of women's daily necessities. The Board believes that the China fashion accessories market is filled with ample opportunities and potential. The Group will strive to expand our business and grasp business opportunities ahead.

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.

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. 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. The overall management of the Company was performed by Mr. Tse Chiu Kwan, Mr. Lin Shao Hua, Mr. Lau Yau Chuen, Louis (appointed on 26 May 2010) and Ms. Ho Pui Yin, Jenny (resigned on 26 May 2010) and all are executive Directors who have extensive experience in either the jewellery industry or the accounting field. Their respective areas 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.

Following the end of appointment of Ms. Chan Man Tuen, Irene on 31 August 2010, the Company only has two independent non-executive Directors and two audit committee members, the number of which falls below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. On 1 December 2010, Mr. Lau Yiu Kit has been appointed to fill the vacancy of Ms. Chan Man Tuen, Irene as an independent non-executive Director and an audit committee member as well.

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 regarding directors' securities transactions throughout the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 29 June 2010, 83,543,000 ordinary shares were issued at a price of HK$0.53 per placing shares pursuant to the placing agreement entered into on 18 June 2010. During the Year, 44,850,000 ordinary shares were issued under the Share Option Scheme. In January 2011, 27,052,000 ordinary shares of HK$0.10 each in the capital of the Company ranging from HK$0.49 to HK$0.52 per share at an aggregate purchase price of HK$13,809,000 were repurchased by the Company on the Stock Exchange. The issued share capital of the Company was reduced by the nominal value thereof. The above repurchases were effected by the Directors, pursuant to the mandate granted from the shareholders of the Company at the annual general meeting of the Company held on 28 September 2010, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company. On 2 June 2010, the Company has redeemed all of the First Lot CB and the remaining Second Lot CB (at an aggregate principal amount of HK$20,000,000 and HK$4,000,000 respectively). 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.

FUND RAISING ACTIVITIES

For the purpose of strengthening the capital base raising funds for further development of the Group, the Group completed the following fund raising activities during the Year:

a) On 15 January 2010, the Company and Standard Bank Plc (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber has agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 (the "First Lot CB").

   On 1 April 2010, the Company and the Subscriber entered into a second subscription agreement pursuant to which the Subscriber has agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 (the "Second Lot CB").

   The conversion price of the First Lot CB and the Second Lot CB will be reset each day at an amount equal to the higher of: (a) 90% of the closing price of the shares, as quoted on the Stock Exchange, on the immediately preceding trading day; and (b) the minimum conversion price of the First Lot CB and the Second Lot CB respectively (the minimum conversion prices of the First Lot CB and the Second Lot CB are HK$1.073 and HK$0.733 respectively).

The completion of the First Lot CB and the Second Lot CB took place on 22 January 2010 and 13 April 2010 respectively. The net proceeds from the issue of the First Lot CB were approximately HK$18,031,000, which was intended to be used as general working capital of the Group. The net proceeds from the issue of the Second Lot CB were approximately HK$18,844,000 which was also intended to be used as general working capital of the Group, subject to the second subscription agreement and certain account charge.

Up to 17 May 2010, an aggregate principal amount of HK$16,000,000 of the Second Lot CB has been converted into 19,441,323 shares. On 2 June 2010, the Company has redeemed all of the First Lot CB and the remaining Second Lot CB with principal amount of HK$20,000,000 and HK$4,000,000 respectively at aggregate consideration of HK$26,880,000.

Details of the First Lot CB and the Second Lot CB have been published on the Company's announcements dated 15 January 2010, 22 January 2010, 1 April 2010, 13 April 2010 and 1 June 2010.

b) On 18 June 2010, the Company and Fordjoy Securities and Futures Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, a total of 83,543,000 ordinary shares of HK$0.10 each (with an aggregate nominal value of HK$8,354,300) to certain independent placees at a price of HK$0.53 per placing share (the "Placing"). The closing price of the shares was HK$0.64 on 18 June 2010. The completion of the Placing took place on 29 June 2010 and a total of 83,543,000 placing shares were issued. The net price per share is approximately HK$0.51 and net proceeds of approximately HK$43 million were raised and as at 31 March 2011, it had been fully utilised as general working capital of the Group.

   Details of the Placing have been published on the Company's announcements dated 18 June 2010 and 29 June 2010.

AUDIT COMMITTEE

The audit committee of the Company (the "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), Mr. Fan William Chung Yue and Mr. Lau Yiu Kit. The Audit Committee has held meetings with the Company's auditor, Mazars CPA Limited, to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the Year and the interim financial report for the six months ended 30 September 2010.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of the Group's annual results for the Year 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 2011 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, 29 June 2011

As at the date of this announcement, the executive Directors are Mr. Tse Chiu Kwan, Mr. Lin Shao Hua and Mr. Lau Yau Chuen, Louis; the non-executive Director is Ms. Yip Ying Kam; and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Fan William Chung Yue and Mr. Lau Yiu Kit.