ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

Annual Report 2010-11

ARTINI

雅天妮

Stock Code: 789

Excellence, Passionate, Exceptional Originality, Exceeding Expectation.

ARTINI WOMEN are strong, bold, hip and cool. They are powerful, loving, charming and chic. Being successful means recognizing who our customers are and making potential customers recognize who they could be.


www.artini-china.com

Contents



ARTINI is the pioneer of fashion accessories and gift and premium items, leading the highly segmented market.

ARTINI

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Chiu Kwan (Chairman)
Mr. Lin Shao Hua
Mr. Lau Yau Chuen, Louis

Non-executive Director

Ms. Yip Ying Kam (Vice Chairman)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Fan William Chung Yue
Mr. Lau Yiu Kit

AUDIT COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Fan William Chung Yue
Mr. Lau Yiu Kit

REMUNERATION COMMITTEE

Mr. Fan William Chung Yue (Chairman)
Mr. Tse Chiu Kwan
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

NOMINATION COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Tse Chiu Kwan
Mr. Fan William Chung Yue
Mr. Lau Yiu Kit

INVESTMENT COMMITTEE

Mr. Tse Chiu Kwan (Chairman)
Mr. Lin Shao Hua
Mr. Lau Yau Chuen, Louis

COMPANY SECRETARY

Mr. Lo Wah Wai, *HKICPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Tse Chiu Kwan
Mr. Lau Yau Chuen, Louis

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Flat B1, 1st Floor
Kaiser Estate, Phase 1
41 Man Yue Street
Hunghom
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

As to Hong Kong law

Richards Butler
Reed Smith
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law

Guangdong Zhiming Lawfirm
17/F, West Block
Xincheng Building
No. 1027, Shennan Road C.
Shenzhen, Guangdong

As to Bermuda law

Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Macao law

Gonçalves Pereira, Rato, Ling, Vong & Cunha –
Avenida da Amizade, 555-Macao Landmark
Office Tower, 23rd Floor, Room 2301–2302
Macao SAR

COMPLIANCE ADVISER

Guangdong Securities Limited
Unit 2505–06
25/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITORS

Mazars CPA Limited
42/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda

Hong Kong branch share registrar and transfer office

Union Registrars Limited
18/F Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

INVESTOR RELATIONS

PR ASIA Consultants Limited
5/F, Euro Trade Centre,
13–14 Connaught Road Central,
Hong Kong

LISTING EXCHANGE INFORMATION

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

789

COMPANY'S WEBSITE

www.artini-china.com

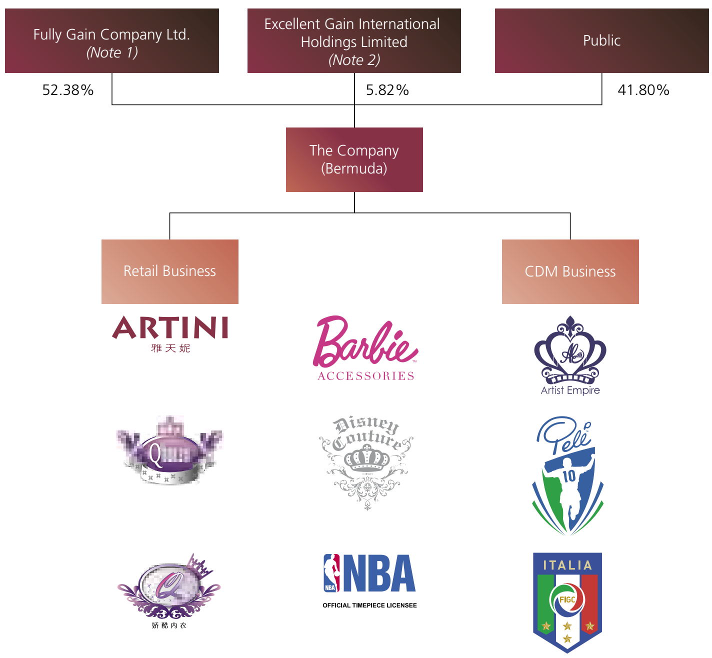
Corporate Profile

Artini China Co. Ltd. (the "Company" or "Artini") is a leading retail chain operator and manufacturer of fashion accessories and gift and premium items. Started as an export and trading company of fashion accessories 19 years ago, the Company and its subsidiaries (the "Group") have worked hand-in-hand with internationally acclaimed brands from design to delivery, and boasted extensive experience in the fashion accessories industry.

Under the Group's brand portfolio, it had initially launched 2 proprietary brands, Artini and Q'ggle; and then brought in world famous licensing brands of NBA, Barbie, Disney, FIGC and Pelé. Q'ggle Lingerie has been launched subsequently for the young female and Artist Empire will tap into the gifts and premiums market. Our brands are distributed in the PRC, Hong Kong, and Macau through retail stores, concessions, authorized retail outlets and online platforms. By means of a well-established vertically integrated business model, the Group is selling merchandise while implementing the concurrent design manufacturing ("CDM") model to develop, design, and manufacture products for the Group's nine brands and world-renowned brands including Marks & Spencer, Playboy, Disney, Nine West, Givenchy and Anne Klein of over 10 million pieces annually, distributing to the PRC, Europe and America etc.

As at 31 March 2011, the Group's retail network comprised about 120 retail points across 30 cities in the PRC, Hong Kong and Macao, with a strong presence in first-tier cities such as Beijing, Shanghai and Shenzhen.

As at the date of this report, the corporate structure of our Group was as follows:



Notes:

1. Fully Gain Company Ltd. is a company incorporated in the British Virgin Islands and wholly owned by Mr. Tse Chiu Kwan.

2. Excellent Gain International Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by Ms. Yip Ying Kam.

Five-Year Financial Highlights

(All amounts in HK$ thousands unless otherwise stated)

	For the year ended 31 March				
	2011	2010	2009	2008	2007
Turnover	**362,921**	366,119	564,101	596,739	339,480
Gross profit	**145,056**	175,777	237,608	376,426	191,696
(Loss)/profit from operations	**(170,106)**	(98,483)	(137,641)	130,437	84,255
(Loss)/profit for the year	**(176,717)**	(100,449)	(140,529)	110,024	73,488
Non-current assets	**133,349**	120,956	121,083	105,214	59,401
Current assets	**349,555**	425,567	393,657	269,868	169,705
Current liabilities	**82,861**	81,441	51,185	193,097	95,203
Net current assets	**266,694**	344,126	342,472	76,771	74,502
Total assets less current liabilities	**400,043**	465,082	463,555	181,985	133,903
Total equity	**394,013**	463,192	461,525	154,362	100,647
Gross profit margin (%)	**40.0**	48.0	42.1	63.1	56.5
Net (loss)/profit margin (%)	**(48.7)**	(27.4)	(24.9)	18.4	21.6
Basic and diluted (loss)/earnings per share (HK$)	**(0.143)**	(0.098)	(0.145)	0.147	0.098
Current ratio (X)	**4.2**	5.2	7.7	1.4	1.8
Return on equity (%)	**(44.9)**	(21.7)	(45.6)	86.3	103.6
Return on assets (%)	**(36.6)**	(18.9)	(31.6)	36.4	41.9

Chairman's Statement

ARTINI embraces the philosophy of life perfection, wherein we gratify not only the senses, but the physique, the soul and the spirits of our valuable customers.

Dear Shareholders,

On behalf of the Company and the Group, I hereby present the annual report on the consolidated results of the Group for the year ended 31 March 2011 (the "Year") to the shareholders of the Company (the "Shareholders").

NEW BUSINESS OPPORTUNITIES ARISING FROM DISTRIBUTORSHIP BUSINESS

In view of the keen competition in the retail market, I, together with the board (the "Board") of directors (the "Directors") of the Company, devote to consolidate business operations and timely review our development strategies, giving us confidence on our development blueprint. During the Year, the retail markets of both Mainland China and Hong Kong were under tremendous pressure of operating costs, and as a result, the turnover of the Group was slightly affected. However, under the Group's development strategy of "multi-brand", the two proprietary brands, "Artini" and "Q'ggle", maintained a stable performance as usual; and on the other hand, the Group introduced the distributorship business model that allows us to gradually expand the retail business through selected qualified and experienced agents to establish the sales networks in a cost-effective way while reducing the operating expenses. The Group reached our breakthroughs in business expansion by entering into a distribution contract with Gruppo Cartorama Srl, a famous European trendy accessories distributor, to introduce its brands to the Mainland market under the trademark "IMAGO", aiming to gain foothold in the accessories market for the younger generation.

In respect of product development, the Group joined hands with an international computer brand (Lenovo) for the launch of rabbit-shaped USB drive of "Q'ggle", providing our customers with more diversified products.

DISTINCT COLLABORATION FOR MORE BUSINESS OPPORTUNITIES

Looking ahead, the Group will spare no efforts to explore new sales channels, strengthen sales network and enhance business coverage in Mainland China through our diversified sales platforms, such as television and internet, in order to promote the delicate, tasteful and fashionable "Artini Lifestyle" in the Greater China region.

To further expand our business, the Group is developing wedding collections, targeting to enter into the wedding accessories market. The Group has been maintaining our leading position among the peers with our elegant and fashionable European-style design; hence, our wedding accessories business, which is developed based on existing design, is expected to be an important part of the "Artini Lifestyle".

Besides, in respect of CDM business, the Group will continuously seek to collaborate with other international well-known brands riding on our well-established vertically integrated model, to provide customers with one-stop services. With the Group's core competitiveness, we believe, we can attract more customers of international premium brands through our stunning design and superior craftsmanship.

APPRECIATION

I would like to, on behalf of the Board, express my sincerest gratitude to our employees, shareholders, customers, suppliers and partners. The Group is committed to improving our performance for the Shareholders and all parties for their on-going support.

Tse Chiu Kwan
Chairman

Hong Kong, 29 June 2011

SPARKS OF LIFE is the philosophy of ARTINI.

A woman living Sparks of Life glows from within, wherever she is, such dazzling charm always radiates joy and beauty. And that is the Sparks of Life ARTINI devotes to ignite!

ARTINI 雅天妮

Barbie ACCESSORIES

Artist Empire

Disney Couture

NBA OFFICIAL TIMEPIECE LICENSEE

娇酷内衣

Q'GGLE 娇酷

ITALIA FIGC

Pelé 10

ALL BLACKS®

BACI & ABBRACCI

DIMENSIONE danza®

EVERLAST
FIORUCCI
GURU GANG
Imago cartorama
LONSDALE LONDON
SA RUGBY
Pickwick COLOUR GROUP ACTION APPAREL
SmileyWorld
SWEET YEARS
Van Gogh HOLLAND

Management Discussion and Analysis

MARKET REVIEW

During 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, according to the PRC sole distributorship agreement of NBA brand sport timepieces; allowance for doubtful debts on trade and other receivables of HK$13,008,000; impairment loss of other receivables of HK$4,057,000; impairment loss of deposit paid for enterprise resources planning project of HK$3,644,000 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 (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

Management Discussion and Analysis

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

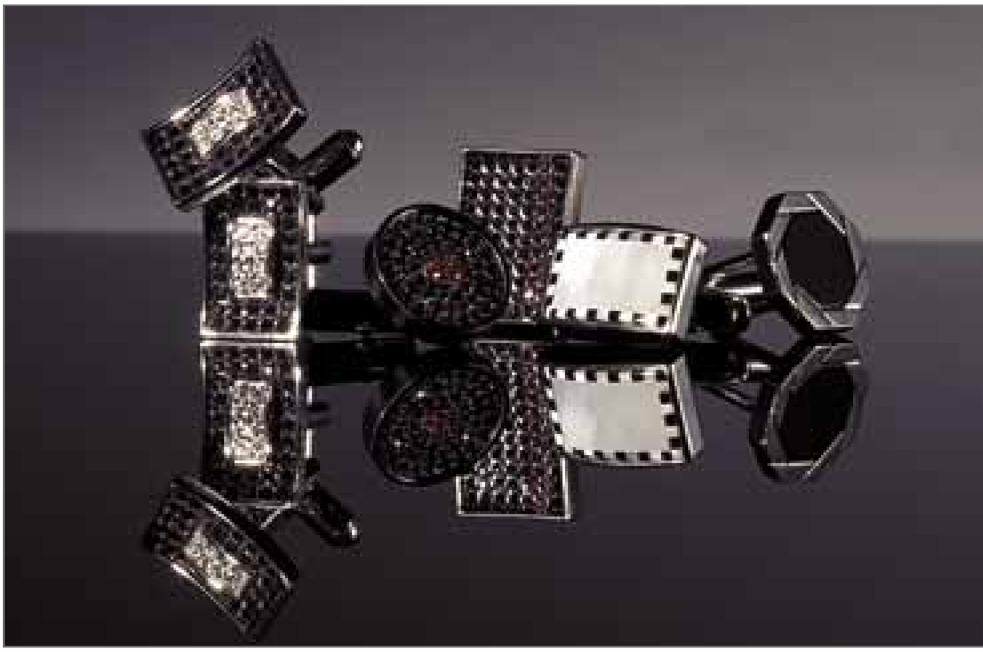
During the Year, the Group adjusted the operating strategies, strengthened the distributorship business model to expand the sales network, and established retail points in a cost-effective and efficient way. Our current market has penetrated a majority of towns apart from the first-tier cities in China. 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.

Management Discussion and Analysis



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.

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.

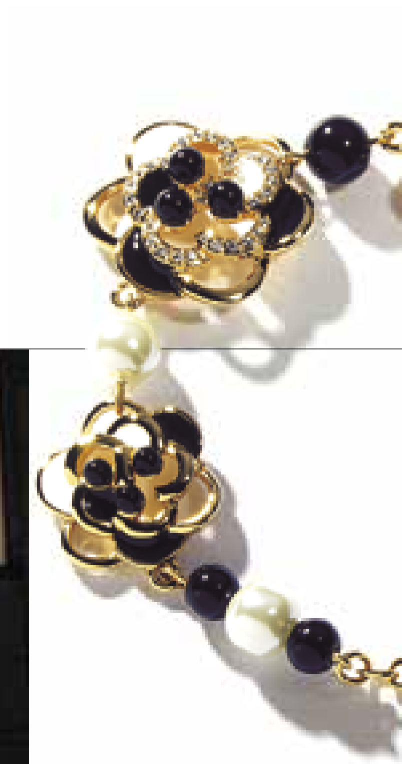
The Group will continue to target the China market, and is now identifying new sales channels to strengthen the sales network, such as further expand TV direct-sales platform and online sales opportunities. The moves would enhance our business coverage and scale in Mainland China and strengthen the interaction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

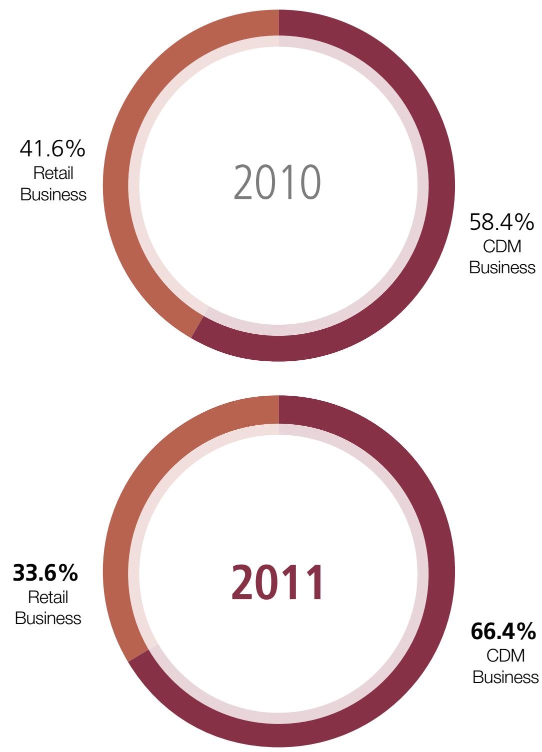
In addition, the Group is developing a new product collection — wedding accessories — which will be launched next year. As a result, the Group is able to develop new products and provide more choices for customers, and at the same time enter the wedding accessories market.

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

Management Discussion and Analysis





Turnover of the Group by business segments

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.

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

Management Discussion and Analysis

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. Other operating expenses for the Year mainly comprised fire loss of HK$18,541,000; impairment loss of other receivables of HK$4,057,000 ; impairment loss of deposit paid for enterprise resources planning project of HK$3,644,000 and allowance for doubtful debts on trade and other receivable of HK$13,008,000.

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 hedge 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.

In April 2010, the Group entered into a legal binding letter of intent ("first LOI") with an independent third party 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 legal binding letter of intent ("second LOI") with an independent third party to dispose of its right and obligation of investment under the first LOI to a third party at a consideration of RMB13,300,000 (approximately HK$15,747,000).

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

During the Year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. 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.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2011 (2010: Nil).

Sparkling the Fashion Accessories Market in the PRC

ARTINI committed to developing retail networks at first-tier shopping locations, further inspiring the market with the sparks of ARTINI.

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. TSE Chiu Kwan, aged 47, is the co-founder of the Group and was appointed as the Chairman of the Board and an executive Director on 14 June 2007. He is also the Chairman of the investment committee of the Company, a member of the remuneration committee and nomination committee of the Company and an authorised representative of the Company. He is a director of a number of subsidiaries of the Company. Mr. Tse, co-founded the Group in June 1992, is primarily responsible for the Group's overall management, strategic planning and business development. He has more than 20 years of experience in the fashion jewelry industry. Mr. Tse is currently the honorary president of the Hong Kong Pearl Association and the Hong Kong Gold & Silver Ornaments Workers & Merchants General Union and the honorary president of the Hong Kong Gemstone Manufacturers' Association. Mr. Tse has also been awarded the "中國國際愛國愛港傑出人士獎" jointly by the Investment Committee of Outstanding Chinese People for the Celebration of the 10th Anniversary of the Return of Sovereignty of Hong Kong ("香港回歸十週年座談會暨投資交流會"), the China Straits Triplace Experts Enterpriser Associations, The Hong Kong Small and Medium Enterprises Association and Shenzhen City Southern Privately Run Science and Technology Institute, and the "中國企業創新優秀人物" jointly by China Marketing Association and the China Enterprise News Agency and an honorary citizen of Shanwei City. In December 2009, Mr. Tse has been awarded the "保增長、促發展 — 2009年中國經濟產業振興年度人物創新獎"jointly by 新華社《經濟參考報》社，中國國際經濟技術交流中心 and 《中國城市經濟》雜誌社。Mr. Tse is also a member of the 5th term of the Guangdong Shanwei Committee of the Chinese People's Political Consultative Conference. Mr. Tse is the spouse of Ms. Yip Ying Kam, a non-executive Director, and the brother-in-law of Mr. Lin Shao Hua, an executive Director. Mr. Tse is the sole director of Fully Gain Company Ltd. which was interested in 648,088,000 shares of the Company as at 31 March 2011.

Mr. LIN Shao Hua, aged 51, was appointed as an executive Director on 17 July 2009. He is also a member of the investment committee of the Company. He has 18 years of experience in factory management and product development. He has worked at Artist Empire (Hai Feng) Jewellery Mfy. Limited, a wholly-owned subsidiary of the Company, as the general manager since 1991, responsible for the overall management and business development of Artist Empire (Hai Feng) Jewellery Mfy. Limited. He is currently a member of the Hai Feng County Committee of the Chinese People's Political Consultative Conference ("海豐縣政協委員"). Mr. Lin is the brother-in-law of Mr. Tse Chiu Kwan, an executive Director (who is the spouse of Ms. Yip Ying Kam, a non-executive Director).

Mr. LAU Yau Chuen, Louis, aged 34, was appointed as an executive Director, an authorised representative and a member of the investment committee of the Company with effect from 26 May 2010. He joined the Company in April 2008 and he is also the financial controller of the Company. Mr. Lau graduated from City University of Hong Kong majoring in Accountancy. Mr. Lau has 10 years audit and compliance experiences gained from international audit firms and a Singapore listed company. He is a member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Non-executive Director

Ms. YIP Ying Kam, aged 47, is the co-founder of the Group and was appointed as the Vice Chairman of the Board on 14 June 2007 and was re-designated as a non-executive Director on 17 July 2009. She is a director of a number of subsidiaries of the Company. Ms. Yip, co-founded the Group in June 1992 with Mr. Tse Chiu Kwan, is primarily responsible for overseeing the corporate development, investment divisions, administration, human resources and information technology of the Group. Following her academic studies, she joined Mr. Tse in managing the Group's business. Ms. Yip has over 20 years of experience in the fashion jewelry industry. Ms. Yip has obtained an Honours Diploma in history from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). Ms. Yip is the spouse of Mr. Tse Chiu Kwan, an executive Director (who is the brother-in-law of Mr. Lin Shao Hua, an executive Director). Ms. Yip is the sole director of Excellent Gain International Holdings Limited which was interested in 72,000,000 shares of the Company as at 31 March 2011.

Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 39, was appointed as independent non-executive Director on 23 April 2008. He is also the chairman of the audit committee and the nomination committee of the Company and a member of the remuneration committee of the Company. Mr. Lau has extensive experience in accounting, corporate finance and auditing. He is a practising certified public accountant in Hong Kong and is currently the Joint Company Secretary of BBMG Corporation which is listed on the main board of the Stock Exchange. Before joining BBMG Corporation, he was the Group Financial Controller of Founder Holdings Limited and EC-Founder (Holdings) Company Limited, both of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lau has previously worked in Price Waterhouse Company Limited (now known as PricewaterhouseCoopers) as an accountant from 1994 to 1998. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountant in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from The University of Hong Kong with a bachelor's degree in Business Administration and obtained a Master of Corporate Finance degree from The Hong Kong Polytechnic University.

Mr. FAN William Chung Yue, aged 70, was appointed as independent non-executive Director on 23 April 2008. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. Mr. Fan has been a practising solicitor of the High Court of Hong Kong since 1974. He is currently a consultant of Fan & Fan, Solicitors. Mr. Fan is also a director of Chinney Investments Limited and a non-executive director of Alltronics Holdings Limited since 1987 and 2005 respectively. Both of these companies are listed on the main board of the Stock Exchange. Mr. Fan graduated from Northwestern University in 1964 with a Degree of Bachelor of Arts and from the University of Edinburgh in 1967 with a Bachelor degree in Laws.

Mr. LAU Yiu Kit, aged 51, was appointed as independent non-executive Director on 1 December 2010. He is also a member of the audit committee, the remuneration and the nomination committee of the Company. Mr. Lau is the sole proprietor and founder of Albert Y.K. Lau & Co., Certified Public Accountants. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong.

Biographical Details of Directors and Senior Management

Senior Management

Mr. LAW Wai Fai, aged 43, is the Chief Financial Officer of the Group. Mr. Law joined the Group in March 2011. Prior to joining the Group, Mr. Law was an executive director and financial controller of a company listed on the Stock Exchange of Hong Kong Limited. Prior to that, Mr. Law was worked in two multinational accounting firms. Mr. Law possesses extensive experience and knowledge in auditing and financial management. Mr. Law holds a master of Business Administration degree from the Hong Kong Polytechnic University and a bachelor's degree in Accountancy from the City University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

COMPANY SECRETARY

Mr. LO Wah Wai, aged 47, has been appointed as the Company Secretary of the Company since 14 January 2009. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. He has over 20 years of experience in the accounting and finance industry.

Report of the Directors

The Directors submit herewith their report together with the audited financial statements for the Year.

PRINCIPAL PLACE OF BUSINESS

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong and its principal place of business is Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are design, manufacturing, retailing and distribution and CDM of fashion accessories. The principal activities and other particulars of the subsidiaries of the Company are set out in note 18 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 6 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 25.6% (2010: 19.2%) of the total sales. The top five suppliers accounted for approximately 40.9% (2010: 26.5%) of the total purchases for the Year. In addition, the Group's largest customer accounted for approximately 7.9% (2010: 5.2%) of the total sales and the Group's largest supplier accounted for approximately 12.1% (2010: 14.0%) of the total purchases for the Year.

At no time during the Year have the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Significant related party transactions entered into by the Group during the Year, which do not constitute connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 39 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at 31 March 2011 are set out in the financial statements on pages 51 to 130.

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of HK$176,555,000 (2010: HK$100,449,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The Directors do not recommend the payment of a final dividend for the Year (2010: HK$Nil).

CHARITABLE DONATIONS

The Group did not have charitable donation during the Year (2010: HK$20,000).

FIXED ASSETS

Details of movements in fixed assets during the Year are set out in note 15 to the financial statements.

Report of the Directors

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 31 to the financial statements.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Tse Chiu Kwan
Ms. Ho Pui Yin, Jenny (resigned on 26 May 2010)
Mr. Lin Shao Hua
Mr. Lau Yau Chuen, Louis (appointed on 26 May 2010)

Non-executive Director

Ms. Yip Ying Kam

Independent Non-executive Directors

Ms. Chan Man Tuen, Irene (appointment ended on 31 August 2010)
Mr. Lau Fai Lawrence
Mr. Fan William Chung Yue
Mr. Lau Yiu Kit (appointed on 1 December 2010)

Pursuant to Bye-law 87 of the bye-laws of the Company (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Bye-law 87 of the Bye-laws, Mr. Tse Chiu Kwan and Ms. Yip Ying Kam will retire from office by rotation and by virtue of Bye-law 86(2) of the Bye-laws, Mr. Lau Yiu Kit shall hold office until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 41.

Save as disclosed above, none of the Directors proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Directors	Company in which interests are disclosed	Capacity	Number of issued ordinary shares held	Number of shares subject to options granted	Percentage of the issued share capital as at 31 March 2011
Tse Chiu Kwan	The Company	Corporate interest	648,088,000 *(Note 1)*	—	52.38%
		Beneficial interest	—	4,420,000 *(Note 2)*	0.36%
Lin Shao Hua	The Company	Beneficial interest	—	9,600,000 *(Note 2)*	0.78%
Yip Ying Kam	The Company	Corporate interest	72,000,000 *(Note 3)*	—	5.82%
		Beneficial interest	—	9,500,000 *(Note 2)*	0.77%
Fan William Chung Yue	The Company	Beneficial interest	—	200,000 *(Note 2)*	0.02%
Lau Fai Lawrence	The Company	Beneficial interest	—	200,000 *(Note 2)*	0.02%
Tse Chiu Kwan	Fully Gain Company Ltd.	Beneficial interest	1	—	100%

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long positions in ordinary shares of HK$0.10 each of the Company (continued)

Notes:

1. These shares are held by Fully Gain Company Ltd., an associated corporation of the Company, which is wholly and beneficially owned by Mr. Tse Chiu Kwan.

2. These options were granted by the Company under the pre-listing share option scheme (the "Pre-IPO Scheme") or the share option scheme (the "Share Option Scheme") both adopted by the Company on 23 April 2008.

3. These shares are held by Excellent Gain International Holdings Limited which is wholly and beneficially owned by Ms. Yip Ying Kam.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the Year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (with the meaning of Part XV of the SFO).

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Scheme on 23 April 2008. The purpose of the Pre-IPO Scheme is to give the participants (directors and employees of the Group) an opportunity to have a personal stake in the Company and to motivate the participants to optimise their performance and efficiency as well as to attract and retain participants whose contributions are important to the long-term growth and profitability of the Group.

An offer of Pre-IPO share options is deemed to be accepted when the Company receives the offer letter signed by the participant specifying the number of shares of the Company in respect of which the offer is accepted, and a remittance to the Company of HK$1.00 as consideration for the grant of the Pre-IPO share options. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant. The subscription price per share was 85% of the offer price per share at the initial public offering of the Company.

PRE-IPO SHARE OPTION SCHEME (continued)

All holders of options granted under the Pre-IPO Scheme may only exercise their options in the following manners during an option period of 3 years from the date of listing of the Company (the "Listing Date") on the Stock Exchange, i.e. 16 May 2008:

Period of exercise of the relevant percentage of the option	Maximum percentage of options exercisable
A period of twelve months commencing on the Listing Date	30% of the total number of options granted under the Pre-IPO Scheme
A period of twelve months commencing on the first anniversary date of the Listing Date	30% of the total number of options granted under the Pre-IPO Scheme
A period of twelve months commencing on the second anniversary date of the Listing Date	40% of the total number of options granted under the Pre-IPO Scheme

Any options that are not exercised on or before each of the exercise periods mentioned above shall lapse. No further option has been granted or will be granted under the Pre-IPO Scheme after the Listing Date.

Further details of principal terms of the Pre-IPO Scheme are set out in the prospectus of the Company dated 2 May 2008. Details of the share options movements during the Year under the Pre-IPO Scheme are as follows:

		Number of share options						
Name of category	**Date of grant of share options**	**Outstanding at 01.04.2010**	**Exercised during the Year**	**Lapsed during the Year**	**Cancelled during the Year**	**Outstanding at 31.03.2011**	**Validity period of share options**	**Exercise price** (HK$)
Directors								
Tse Chiu Kwan	02.05.2008	1,515,000	—	1,515,000	—	—	16.05.2009–15.05.2010	1.887
	02.05.2008	2,020,000	—	—	—	2,020,000	16.05.2010–15.05.2011	1.887
Yip Ying Kam	02.05.2008	450,000	—	450,000	—	—	16.05.2009–15.05.2010	1.887
	02.05.2008	600,000	—	—	—	600,000	16.05.2010–15.05.2011	1.887
Ho Pui Yin, Jenny	02.05.2008	150,000	—	150,000	—	—	16.05.2009–15.05.2010	1.887
(resigned on 26 May 2010)	02.05.2008	200,000	—	200,000	—	—	16.05.2010–15.05.2011	1.887
Subtotal		4,935,000	—	2,315,000	—	2,620,000		
Other Employees								
In aggregate	02.05.2008	390,000	—	390,000	—	—	16.05.2009–15.05.2010	1.887
	02.05.2008	520,000	—	380,000	—	140,000	16.05.2010–15.05.2011	1.887
Subtotal		910,000	—	770,000	—	140,000		
Total		**5,845,000**	**—**	**3,085,000**	**—**	**2,760,000**		

Report of the Directors

SHARE OPTION SCHEME

The Company also adopted the Share Option Scheme on 23 April 2008. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing value of the Company and the shares for the benefit of the Company and the Shareholders as a whole.

Participants under the Share Option Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group.

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 23 April 2008 and will remain in force until 22 April 2018. The Company may, by ordinary resolution in general meeting or, such date as the Board shall determine, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the shares.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than ten years commencing on the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue on the Listing Date (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the shares in issue as at the date of approval of the renewed limit.

The maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time. As at the date of this report, no share options have been granted under the Scheme Mandate Limit and the outstanding number of options available for issue under the Scheme Mandate limit of the Share Option Scheme is 126,437,232, representing approximately 10.22% of the issued share capital of the Company. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.

SHARE OPTION SCHEME (continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each grantee under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its Shareholders in accordance with the Share Option Scheme.

Details of the share options movements during the Year under the Share Option Scheme are as follows:

		Number of share options							
Name of category	**Date of grant of share options**	**Outstanding at 01.04.2010**	**Granted during the Year**	**Exercised during the Year**	**Lapsed during the Year**	**Cancelled during the Year**	**Outstanding at 31.03.2011**	**Validity period of share options**	**Exercise price** (HK$)
Directors									
Tse Chiu Kwan	27.07.2009	2,400,000	—	—	—	—	2,400,000	27.07.2009–26.07.2011	0.830
Yip Ying Kam	27.07.2009	8,900,000	—	—	—	—	8,900,000	27.07.2009–26.07.2011	0.830
Lin Shao Hua	27.07.2009	9,600,000	—	—	—	—	9,600,000	27.07.2009–26.07.2011	0.830
Lau Fai Lawrence	27.07.2009	200,000	—	—	—	—	200,000	27.07.2009–26.07.2011	0.830
Fan William Chung Yue	27.07.2009	200,000	—	—	—	—	200,000	27.07.2009–26.07.2011	0.830
Ho Pui Yin, Jenny (resigned on 26 May 2010) *(Note 3)*	27.07.2009	9,600,000	—	—	—	—	9,600,000	27.07.2009–26.07.2011	0.830
Chan Man Tuen, Irene (end of appointment on 31 August 2010)	27.07.2009	200,000	—	—	200,000	—	—	27.07.2009–26.07.2011	0.830
Subtotal		31,100,000	—	—	200,000	—	30,900,000		
Advisors and Consultants									
In aggregate	27.07.2009	29,600,000 *(Note 4)*	—	5,000,000	—	—	24,600,000	27.07.2009–26.07.2011	0.830
	20.10.2009	35,250,000 *(Note 5)*	—	25,300,000	—	—	9,950,000	20.10.2009–19.10.2011 *(Note 1)*	0.680
Other Employees									
In aggregate	27.07.2009	18,800,000	—	—	9,500,000	—	9,300,000	27.07.2009–26.07.2011 *(Note 2)*	0.830
	20.10.2009	14,550,000	—	14,550,000	—	—	—	20.10.2009–19.10.2011 *(Note 1)*	0.680
Subtotal		98,200,000	—	44,850,000	9,500,000	—	43,850,000		
Total		**129,300,000**	**—**	**44,850,000**	**9,700,000**	**—**	**74,750,000**		

Note 1: A maximum of 50% of the total number of share options granted to the grantees may be exercisable between 20 October 2009 and 19 January 2010. The remaining number of share options granted to the grantees may be exercisable between 20 January 2010 and 19 October 2011.

SHARE OPTION SCHEME (continued)

Note 2: A maximum of 50% of the total number of share options granted to these grantees on 27 July 2009 may be exercisable between 27 July 2009 and 26 July 2010. The remaining 50% of the total number of share options granted to these grantees may be exercisable between 27 July 2010 and 26 July 2011.

In respect of employees of the Company who had not joined the Company for a full year on 27 July 2009, the validity periods of the share options granted to them on 27 July 2009 will commence on the date they have been employed by the Company for one full year (the "Starting Date"). A maximum of 50% of the total number of share options granted to these grantees may be exercisable during the 12 months commencing on the Starting Date. The remaining 50% of the total number of share options granted to these grantees may be exercisable during the 12 months commencing on the first anniversary of the Starting Date.

Note 3: Ms. Ho Pui Yin, Jenny was appointed as the consultant of the Company on 27 May 2010. Under the terms of the consultancy agreement, 9,600,000 unexercised share options granted under the Share Option Scheme remained exercisable by Ms. Ho Pui Yin, Jenny.

Note 4: The former employee was appointed as the consultant of the Company after his/her resignation in September 2009. Under the terms of the consultancy agreement, the total 300,000 unexercised share options granted under the Share Option Scheme remained exercisable by the former employee.

Note 5: The former employee was appointed as the consultant of the Company after his/her resignation in January 2010. Under the terms of the consultancy agreement, the total 5,000,000 unexercised share options granted under the Share Option Scheme remained exercisable by the former employee.

44,850,000 options were exercised with the weighted average exercise price of HK$0.697 during the Year and the weighted average closing price of the securities of the Company immediately before the dates on which those options were exercised was HK$0.927.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, to the best knowledge of the Directors, the following person (other than a Director and chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares/ underlying shares held	Percentage of the issued share capital as at 31 March 2011
Fully Gain Company Ltd. *(Note 1)*	Beneficial interest	648,088,000	52.38%
Excellent Gain International Holdings Limited *(Note 2)*	Beneficial interest	72,000,000	5.82%

Notes:

1. Fully Gain Company Ltd. is wholly and beneficially owned by Mr. Tse Chiu Kwan.

2. Excellent Gain International Holdings Limited is wholly and beneficially owned by Ms. Yip Ying Kam.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long positions in ordinary shares of HK$0.10 each of the Company (continued)

Save as disclosed above, as at 31 March 2011, no person, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company had maintained the public float as required under the Listing Rules.

CONNECTED TRANSACTIONS

(1) On 5 January 2011, Q'ggle Company Limited ("QCL"), an indirect wholly-owned subsidiary of the Company, entered into the deed (the "Deed") with Ms. Ng Yuet Ching ("Ms. Ng"), Mr. Lam Ka Hang ("Mr. Lam"), Mr. Lin Lifeng ("Mr. Lin") and Q'ggle Lingerie Company Limited ("QL"), in relation to the shareholder loans (the "Shareholder Loans") in an aggregate amount of HK$2,490,000, being its principal amount. Pursuant to the Deed, QL shall capitalise the Shareholder Loans by the allotment and issue of an aggregate of 2,490,000 QL shares to the QL shareholders according to their respective shareholdings in QL as at the date of capitalisation of the Shareholder Loans.

    On 5 January 2011, QCL also entered into the supplemental shareholders agreement with Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to, amongst others, the capital injection (the "Capital Injection") of HK$5,000,000 by QCL into QL in consideration of QL allotting 5,000,000 QL shares to QCL. The Capital Injection will be contributed in the form of cash by QCL. Upon completion of the Capital Injection, QCL will be interested in approximately 73.3% of the equity interest in QL and QL will become an indirect non-wholly owned subsidiary of the Group.

    Under the Group's business development strategy of ''Multi-branding'', ''Q'ggle Lingerie'' is the extended brand of ''Q'ggle'' in the market of young female lingerie. The Directors are optimistic on the business development of QL as well as the market of lingerie. Accordingly, the Group intends to increase its equity interest in QL through the Capital Injection by QCL.

    Mr. Lin is the son of Mr. Lin Shao Hua (being an executive Director) and the nephew of Mr. Tse Chiu Kwan (being the Chairman of the Company and an executive Director) and Ms. Yip Ying Kam (being a non-executive Director), and is interested in approximately 45.1% equity interest in QL as at 5 January 2011. Mr. Lin Shao Hua, Mr. Tse Chiu Kwan, Ms. Yip Ying Kam and their respective associates (including Mr. Lin) are connected persons of the Company and therefore the capitalisation of the Shareholder Loans and the Capital Injection constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since each of the aggregated applicable percentage ratios (as defined under the Listing Rules) in respect of the capitalisation of the Shareholder Loans and the Capital Injection is less than 5%, the capitalisation of the Shareholder Loans and the Capital Injection are only subject to the reporting and announcement requirements under the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

    Details of the transactions are published in the Company's announcement dated 5 January 2011.

CONNECTED TRANSACTIONS (continued)

(2) On 28 March 2011, 深圳雅天妮飾品有限公司(Shenzhen Artini Fashion Accessories Co., Ltd.*) (now known as 深圳雅天妮弘力實業有限公司), an indirect wholly-owned subsidiary of the Company (the "Purchaser"), entered into (i) the first agreement with Mr. Tse Chiu Kwan (as vendor) in relation to acquisition of the first property (the "First Property") at a consideration of RMB1,792,700; (ii) the second agreement with Mr. Tse Chiu Kwan (as vendor) in relation to acquisition of the second property (the "Second Property") at a consideration of RMB3,087,540; and (iii) the third agreement with Mr. Tse Chiu Kwan (as vendor) in relation to acquisition of the third property (the "Third Property") at a consideration of RMB1,730,590 (collectively, the "Acquisitions").

The Acquisitions serve for investment purpose of the Group and the generation of rental income for the Group in future.

On 7 June 2011, the Company and Mr. Tse Chiu Kwan entered into (i) a supplemental agreement to extend the date of completion of transfer of the property certificate of the First Property under the name of the Purchaser from 7 June 2011 to 31 October 2011; (ii) a supplemental agreement to extend the date of completion of transfer of the property certificate of the Second Property under the name of the Purchaser from 7 June 2011 to 31 October 2011; and (iii) a supplemental agreement to extend the date of completion of transfer of the property certificate of the Third Property under the name of the Purchaser from 7 June 2011 to 31 October 2011.

Mr. Tse Chiu Kwan is the Chairman of the Company, an executive Director and a controlling shareholder (as defined under the Listing Rules). Accordingly, the Acquisitions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since each of the aggregated applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisitions is less than 5%, the Acquisitions are only subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transactions and the delay of the transactions are published in the Company's announcement dated 28 March 2011 and 7 June 2011 respectively.

* *For identification purpose only*

DIRECTORS' INTERESTS IN CONTRACTS

No other contracts of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Year or at any time during the Year under review.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at the balance sheet date are set out in notes 25 to 27 to the financial statements.

FIVE-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 7 of this annual report.

RETIREMENT SCHEMES

Particulars of employee retirement schemes of the Group are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated.

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.

Report of the Directors

FUND RAISING ACTIVITIES (continued)

a) (continued)

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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors or the management shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 March 2009 and 2010 were audited by KPMG while Mazars CPA Limited audited the consolidated financial statements for the year ended 31 March 2011.

Mazars CPA Limited will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Mazars CPA Limited as auditors of the Company is to be proposed at the AGM.

By order of the Board
Tse Chiu Kwan
Chairman

Hong Kong, 29 June 2011

Corporate Governance Report

OVERVIEW

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 Board strived to uphold good corporate governance and adopt sound corporate governance practices. This report outlines the principles and the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, which have been adopted by the Group.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee with defined terms of reference to oversee the financial reporting procedures and internal controls of the Group during the Year. The Company has also established a nomination committee, a remuneration committee and an investment committee with defined terms of reference. The terms of reference of these Board committees are available upon request.

During the Year, save for the deviation as disclosed under the paragraph headed "Independent Non-Executive Directors" and "Chairman and Chief Executive Officer" in this annual report, all code provisions set out in the Code were fulfilled by the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by the 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.

BOARD OF DIRECTORS

Composition

As at 31 March 2011, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board during the Year was as follows:

Executive Directors
Mr. Tse Chiu Kwan (Chairman)
Mr. Lin Shao Hua
Mr. Lau Yau Chuen, Louis (appointed on 26 May 2010)
Ms. Ho Pui Yin, Jenny (Chief Operation Officer) (resigned on 26 May 2010)

Non-executive Director
Ms. Yip Ying Kam (Vice Chairman)

Independent Non-executive Directors
Mr. Lau Fai Lawrence
Mr. Fan William Chung Yue
Mr. Lau Yiu Kit (appointed on 1 December 2010)
Ms. Chan Man Tuen, Irene (appointment ended on 31 August 2010)

The biographical details of all Directors are set out in pages 26 to 28 of this annual report. Save as disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experiences and expertises to the Company.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Functions of the Board

The principal function of the Board is to consider and approve strategies, financial objectives, annual budget and investment proposals of the Group and to assume the responsibilities of corporate governance of the Group. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

Board Meetings and Board Practices

The Company adopted the practice of holding Board meetings for executive Directors regularly throughout the Year and at least four meetings a year for both executive and non-executive Directors. The Board will also meet on other occasions when a board-level decision on a particular matter is required. The company secretary of the Company (the "Company Secretary") will assist the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. Generally, at least 14 days notice would be given for the regular meeting by the Company. The Directors will receive details of agenda items for decision at least 3 days before each Board meeting. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring that the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and decisions reached.

Throughout the Year, 13 Board meetings were held. Details of the attendance of Directors are as follows:

Name of the Directors	Directors' Attendance
Executive Directors	
Mr. Tse Chiu Kwan	12/13
Mr. Lin Shao Hua	10/13
Mr. Lau Yau Chuen, Louis (appointed on 26 May 2010)	11/11
Ms. Ho Pui Yin, Jenny (resigned on 26 May 2010)	1/1
Non-executive Director	
Ms. Yip Ying Kam	12/13
Independent Non-executive Directors	
Mr. Lau Fai Lawrence	13/13
Mr. Fan William Chung Yue	12/13
Mr. Lau Yiu Kit (appointed on 1 December 2010)	1/2
Ms. Chan Man Tuen, Irene (appointment ended on 31 August 2010)	6/9

BOARD OF DIRECTORS (continued)

Directors' Appointment, Re-election and Removal

Mr. Tse Chiu Kwan has entered into a service contract with the Company for an initial term of 3 years commencing on 16 May 2008 and has been renewed for a further term of 3 years commencing on 16 May 2011 which is subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Mr. Lin Shao Hua has entered into a service contract with the Company for an initial term of 3 years commencing from 17 July 2009 and subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Mr. Lau Yau Chuen, Louis has entered into a service contract with the Company but he is not appointed for a specific term but may be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than 3 months' prior written notice.

Ms. Yip Ying Kam was re-designated as a non-executive Director on 17 July 2009 and she has entered into a new service contract with the Company for an initial term of 3 years commencing from 17 July 2009 which may only be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than 3 months' prior written notice.

Mr. Lau Fai Lawrence and Mr. Fan William Chung Yue, the independent non-executive Directors, has entered into a formal appointment letter with the Company for a term of one year commencing from 1 September 2010, subject to termination by either party giving the other not less than 3 months' prior written notice or such shorter period as both parties may agree.

Mr. Lau Yiu Kit, an independent non-executive Director, has entered into a formal appointment letter with the Company for an initial term of one year commencing from 1 December 2010, subject to termination by either party giving the other not less than 3 months' prior written notice or such shorter period as both parties may agree. He will hold office until the AGM and will retire at the AGM but will be eligible for re-election pursuant to the Bye-laws.

In accordance with the Bye-Laws, all Directors (including executive Directors, non-executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every 3 years.

Disclosure of Information on Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Director is as follow:

The housing allowance of Mr. Tse Chiu Kwan was adjusted and Mr. Tse will be entitled to a monthly housing allowance of HK$210,000 per month with effect from 1 July 2011.

Independent Non-executive Directors

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 a Audit Committee member as well.

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing more than one-third of the Board. Among the three independent non-executive Directors, at least one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Lau Fai Lawrence, Mr. Fan William Chung Yue and Mr. Lau Yiu Kit independent.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the chief executive officer (the "CEO") should be separated and should not be performed by the same individual. The role of the Chairman is performed by Mr. Tse Chiu Kwan. Mr. Tse is one of the founders of the Group and possesses rich knowledge and experience of the jewellery industry and the 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, 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.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

BOARD COMMITTEES

Audit Committee

Composition

The audit committee of the Company (the "Audit Committee") was established on 23 April 2008 with written terms of reference in compliance with the 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 (appointed on 1 December 2010). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures 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, including the accounting principles and practice adopted by the Group.

During the Year, the Audit Committee had performed their primary duties to review and supervise the financial reporting process and the internal control procedures of the Company and had also held meetings with the Company's auditor, Mazars CPA Limited, to discuss the auditing, internal controls and financial reporting matters of the Company.

BOARD COMMITTEES (continued)

Audit Committee (continued)

Composition (continued)

Throughout the Year, seven Audit Committee meetings were held. Details of the members' attendance of the Audit Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	7/7
Mr. Fan William Chung Yue	7/7
Mr. Lau Yiu Kit (appointed on 1 December 2010)	1/1
Ms. Chan Man Tuen, Irene (appointment ended on 31 August 2010)	4/5

Remuneration Committee

Composition

The remuneration committee of the Company (the "Remuneration Committee") was established on 23 April 2008 with written terms of reference in compliance with the Code. The Remuneration Committee comprises four members, namely Mr. Fan William Chung Yue (Chairman), Mr. Tse Chiu Kwan, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit (appointed on 1 December 2010), the majority of which are independent non-executive Directors.

The primary functions of the Remuneration Committee are to make recommendations to the Board on remuneration of Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management.

Details of the members' attendance of the Remuneration Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Fan William Chung Yue (Chairman)	2/2
Mr. Tse Chiu Kwan	2/2
Mr. Lau Fai Lawrence	2/2
Mr. Lau Yiu Kit (appointed on 1 December 2010)	0/0
Ms. Chan Man Tuen, Irene (appointment ended on 31 August 2010)	2/2

During the Year, two Remuneration Committee meetings were held to review the remuneration packages of all Directors and senior management and to determine the remuneration of the newly appointed Directors.

Corporate Governance Report

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

Remuneration Policy for Directors and Senior Management

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend. Such amount has to be approved by the Remuneration Committee.

The Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme both on 23 April 2008. The purpose of these share option schemes is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

Nomination Committee

Composition

The nomination committee of the Company (the "Nomination Committee") was established on 23 April 2008 with written terms of reference in compliance with the Code. The Nomination Committee currently comprises four members, namely Mr. Lau Fai Lawrence (Chairman), Mr. Tse Chiu Kwan, Mr. Fan William Chung Yue and Mr. Lau Yiu Kit (appointed on 1 December 2010), the majority of which are independent non-executive Directors.

The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of directors were nominated by the Nomination Committee based on considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

Details of the members' attendance of the Nomination Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	2/2
Mr. Tse Chiu Kwan	2/2
Mr. Fan William Chung Yue	2/2
Mr. Lau Yiu Kit (appointed on 1 December 2010)	0/0
Ms. Chan Man Tuen, Irene (appointment ended on 31 August 2010)	2/2

During the Year under review, the Nomination Committee held two meetings to review the composition, size and structure of the Board and to determine the appointment of the Directors and senior management of the Company.

BOARD COMMITTEES (continued)

Investment Committee

By a resolution of the Board passed on 17 July 2009, the Board had resolved to establish an investment committee (the "Investment Committee"). The members of the Investment Committee comprises Mr. Tse Chiu Kwan (Chairman), Mr. Lin Shao Hua and Mr. Lau Yau Chuen, Louis (Ms. Ho Pui Yin, Jenny who was a member of the Investment Committee resigned on 26 May 2010 and Mr. Lau Yau Chuen, Louis was appointed as a member of the Investment Committee on the same day). Pursuant to its written terms of reference, the primary function of the Investment Committee is to utilise funds available to make various investments, including but not limited to investments in securities and properties, with an aim to bring a higher return, as compared with bank deposit, to the Company and its Shareholders as a whole.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibility of the external auditor of the Company on the financial statements of the Company for the Year are set out in the Independent Auditor's Report.

Deloitte Touche Tohmatsu was appointed as external taxation advisor for the Year.

Auditor's Remuneration

During the Year, the remuneration paid or payable to the Company's auditor, Mazars CPA Limited, in respect of its audit and non-audit services were as follows:

Type of Services	HK$'000
Audit services	2,056
Non-audit services	80
Total	2,136

Corporate Governance Report

INTERNAL CONTROL

The Company has prepared an internal control report, covering all material controls, including financial and operation for the Year. The said internal control report compiled by the Company has been brought to the attention of the Board and the Audit Committee. The Board, having reviewed the effectiveness of the internal control system, concluded that the Group needs to further improve its internal control system.

The Company has established the internal control department to provide day-to-day management of the compliance and control of the Group and report to the Board on control and compliance matters. The internal control department is currently headed by Mr. Lau Yau Chuen, Louis, an executive Director since 26 May 2010, as Ms. Yip Ying Kam, the previous chairman of the internal control department, was re-designated to a non-executive Director, and they report directly to the Board. The primary responsibilities of the internal control department include reviewing of internal control system and monitoring the compliance of the daily operating activities within the Group. In addition, it will carry out assessment in relation to the establishment of new company or entity and new products of the Group.

In light of the KPMG's qualified opinion (the "Qualified Opinion") for the consolidated financial statements of the Group for the year ended 31 March 2010, the Board set up a special committee (the "Special Committee") on 29 July 2010, comprising Mr. Lau Fai Lawrence, Mr. Fan William Chung Yue, and Ms. Chan Man Tuen, Irene (a former member of the Special Committee whose appointment ended on 31 August 2010), all are independent non-executive Director, and Mr. Lau Yau Chuen, Louis. The committee's scope is to review the temporary payment accounts and deposits for acquisition of businesses of the Group and to look into the issues mentioned in the Qualified Opinion. For this purpose, the Board has appointed Zhonglei Risk Advisory Services Limited as the special consultant in reviewing the internal control system of the Company and to assist in this regard. In addition of the scope of review, the special consultant will provide training on internal audit function to the Company's internal control department. The special consultant has reported its findings on the matters mentioned in the Qualified Opinion. Details of the findings are published in the Company's interim report 2010–2011. The special consultant is in the progress of its engagement in respect of its review of the internal controls system of the Company.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all documents on the Company's website at www.artini-china.com. The Board continues to maintain regular dialogues with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The Directors and the committee members are available to answer questions at annual general meetings. Separate resolutions would be proposed at general meetings on each substantially separate issue.

Shareholders' Right

The Company shall adhere to the amendments to the Listing Rules effective from 1 January 2009 such that all votes of the Shareholders at general meetings will be taken by poll. The results of voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

The Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's correspondence address in Hong Kong.

Independent Auditor's Report

MAZARS

MAZARS CPA LIMITED
瑪澤 會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

To the shareholders of
Artini China Co. Ltd.
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Artini China Co. Ltd. (the "Company") and its subsidiaries (together "the Group") set out on pages 51 to 130, which comprise the consolidated and the Company's statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosures requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong, 29 June 2011

Chan Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	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(a)*	(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)	—
Loss for the year		(176,717)	(100,449)
Loss per share (HK$)	*14*		
Basic		(0.143)	(0.098)
Diluted		(0.143)	(0.098)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	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)**	—
Loss for the year	**(166,289)**	(99,671)

Consolidated Statement of Financial Position

As at 31 March 2011
(Expressed in Hong Kong dollars)

	Note	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000 (Restated)	As at 1 April 2009 HK$'000 (Restated)
Non-current assets				
Fixed assets	*15*			
— 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	*16*	14,794	2,935	6,311
Goodwill	*17*	7,123	—	—
Interest in an associate	*19*	—	410	—
Rental deposits		7,972	7,993	13,095
Deferred tax assets	*30*	11,526	11,263	10,146
		133,349	120,956	121,083
Current assets				
Trading securities	*20*	24,400	21,126	—
Inventories	*21*	82,928	70,311	56,327
Trade and other receivables	*22*	110,163	141,735	57,956
Current tax recoverable		947	964	1,477
Cash and cash equivalents	*23*	131,117	191,431	277,897
		349,555	425,567	393,657
Current liabilities				
Trade and other payables	*24*	55,568	61,486	49,501
Convertible bonds	*25*	—	15,620	—
Embedded financial derivatives	*25*	—	2,644	—
Bank loans	*26(a)*	23,680	—	420
Obligations under finance leases	*27*	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

Consolidated Statement of Financial Position

As at 31 March 2011
(Expressed in Hong Kong dollars)

		As at 31 March		As at 1 April
	Note	**2011** **HK$'000**	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)
Non-current liabilities				
Obligations under finance leases	*27*	**1,148**	231	—
Deferred tax liabilities	*30*	**4,882**	1,659	2,030
		6,030	1,890	2,030
NET ASSETS		**394,013**	463,192	461,525
CAPITAL AND RESERVES				
Share capital	*31*	**123,732**	111,654	99,224
Reserves	*32*	**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

Approved and authorised for issue by the Board of Directors on 29 June 2011

Tse Chiu Kwan
Director

Lau Yau Chuen, Louis
Director

Statement of Financial Position

As at 31 March 2011
(Expressed in Hong Kong dollars)

	Note	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Interests in subsidiaries	*18*	**373,318**	407,378
Current assets			
Trading securities	*20*	**23,107**	21,126
Deposits, prepayments and other receivables	*22*	**15,676**	41,287
Cash and cash equivalents	*23*	**1,653**	40,604
		40,436	103,017
Current liabilities			
Accrued charges and other payables	*24*	**20,129**	27,142
Convertible bonds	*25*	**—**	15,620
Embedded financial derivatives	*25*	**—**	2,644
		20,129	45,406
Net current assets		**20,307**	57,611
NET ASSETS		**393,625**	464,989
CAPITAL AND RESERVES			
Share capital	*31*	**123,732**	111,654
Reserves	*32*	**269,893**	353,335
TOTAL EQUITY		**393,625**	464,989

Approved and authorised for issue by the Board of Directors on 29 June 2011

Tse Chiu Kwan
Director

Lau Yau Chuen, Louis
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

		Attributable to owners of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000	Share-based capital reserve HK$'000	Legal reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009		99,224	400,191	(19,615)	16,486	21,331	6,869	97	(63,058)	461,525	—	461,525
Loss for the year		—	—	—	—	—	—	—	(100,449)	(100,449)	—	(100,449)
Other comprehensive income												
Exchange differences on consolidation		—	—	—	778	—	—	—	—	778	—	778
Total comprehensive income for the year		—	—	—	778	—	—	—	(100,449)	(99,671)	—	(99,671)
Transactions with owners of the Company												
Issue of shares under share placement	*31(i)*	7,000	47,600	—	—	—	—	—	—	54,600	—	54,600
Share issuance costs	*31(i)*	—	(1,911)	—	—	—	—	—	—	(1,911)	—	(1,911)
Equity-settled share-based transactions		—	—	—	—	—	10,118	—	2,569	12,687	—	12,687
Shares issued under share option schemes	*31(i)*	5,430	32,347	—	—	—	(1,815)	—	—	35,962	—	35,962
Appropriation to reserves		—	—	—	—	424	—	—	(424)	—	—	—
Total transactions with owners of the Company		12,430	78,036	—	—	424	8,303	—	2,145	101,338	—	101,338
At 31 March 2010		111,654	478,227	(19,615)	17,264	21,755	15,172	97	(161,362)	463,192	—	463,192
At 1 April 2010		**111,654**	**478,227**	**(19,615)**	**17,264**	**21,755**	**15,172**	**97**	**(161,362)**	**463,192**	**—**	**463,192**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(176,555)**	**(176,555)**	**(162)**	**(176,717)**
Other comprehensive income												
Exchange differences on consolidation		**—**	**—**	**—**	**10,428**	**—**	**—**	**—**	**—**	**10,428**	**—**	**10,428**
Total comprehensive income for the year		**—**	**—**	**—**	**10,428**	**—**	**—**	**—**	**(176,555)**	**(166,127)**	**(162)**	**(166,289)**
Transactions with owners of the Company												
Issue of shares under share placement	*31(i)*	**8,354**	**35,924**	**—**	**—**	**—**	**—**	**—**	**—**	**44,278**	**—**	**44,278**
Share issuance costs	*31(i)*	**—**	**(1,550)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,550)**	**—**	**(1,550)**
Issue of shares upon conversion of convertible bonds		**1,944**	**15,941**	**—**	**—**	**—**	**—**	**—**	**—**	**17,885**	**—**	**17,885**
Equity-settled share-based transactions		**—**	**—**	**—**	**—**	**—**	**12,842**	**—**	**4,758**	**17,600**	**—**	**17,600**
Shares issued under share option schemes	*31(i)*	**4,485**	**32,681**	**—**	**—**	**—**	**(5,918)**	**—**	**—**	**31,248**	**—**	**31,248**
Repurchase of shares		**(2,705)**	**(11,249)**	**—**	**—**	**—**	**—**	**—**	**—**	**(13,954)**	**—**	**(13,954)**
Step acquisition of a subsidiary		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,603**	**1,603**
Total transactions with owners of the Company		**12,078**	**71,747**	**—**	**—**	**—**	**6,924**	**—**	**4,758**	**95,507**	**1,603**	**97,110**
At 31 March 2011		**123,732**	**549,974**	**(19,615)**	**27,692**	**21,755**	**22,096**	**97**	**(333,159)**	**392,572**	**1,441**	**394,013**

Consolidated Statement of Cash Flows

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	33	(106,160)	(141,808)
Tax paid			
— Hong Kong Profits Tax paid		—	(85)
— the People's Republic of China ("PRC") Enterprise income tax paid		(2,237)	(1,120)
Net cash used in operating activities		(108,397)	(143,013)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		(18,987)	(27,703)
Proceeds from disposal of property, plant and equipment		201	203
Proceeds from disposal of investment properties		5,000	—
Interest received		1,010	1,078
Dividend received		352	120
Payment for investment in an associate		—	(498)
Payment for investment in a subsidiary, net of cash acquired		(4,787)	—
Payment for purchase of trading securities		(856,302)	(67,173)
Proceeds from sale of trading securities		844,202	43,930
Payment for purchase of intangible assets		(1,468)	—
Net cash used in investing activities		(30,779)	(50,043)
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		(1,076)	(199)
Repayment of bank loans		—	(420)
Proceeds from issue of new shares		76,923	88,651
Proceeds from bank borrowings		23,680	—
Interest element of finance lease rentals paid		(225)	(7)
Other finance costs paid		(1,695)	(7)
Payment for redemption of convertible bonds		(26,880)	—
Payment for repurchase of shares		(13,954)	—
Proceeds from issue of convertible bonds		20,000	20,000
Payment of transaction costs on issue of convertible bonds		(1,156)	(1,969)
Net cash generated from financing activities		75,617	106,049
Net decrease in cash and cash equivalents		(63,559)	(87,007)
Cash and cash equivalents at 1 April	23	191,431	277,897
Effect of foreign exchange rate changes		3,245	541
Cash and cash equivalents at 31 March		131,117	191,431

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

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. The address of its principal place of business is Flat B1, 1/F, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the design, manufacture, retailing and distribution and concurrent design manufacturing ("CDM") of fashion accessories. The principal activities of its subsidiaries are set out in note 18 to these financial statements.

The directors consider the ultimate holding company of the Company as at 31 March 2011 to be Fully Gain Company Ltd., which was incorporated in the BVI.

2. BASIS OF PRESENTATION

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 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 to the financial statements. A summary of the significant accounting policies adopted by the Group is set out below.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries and an associate are prepared for the same reporting year as that of the Company using consistent accounting policies.

All inter-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from owners of the Company. For each business combination occurs on or after 1 April 2010, the non-controlling interest in the acquiree is measured initially either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. For each business combination occurred prior to 1 April 2010, the non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's net assets.

(i) Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. From 1 April 2010, total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

(ii) Changes in ownership interest

From 1 April 2010, changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) Changes in ownership interest (continued)

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An interest in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When an investment ceases to be an associate, the investment is measured at its fair value at the date when it ceases to be an associate and the difference between the fair value of any retained investment and the carrying amount of the investment at the date when it ceases to be an associate was recognised in profit or loss.

(e) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Trading securities

Financial assets are classified as trading securities if they are i) acquired principally for the purpose of selling in the near future; ii) a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or iii) derivatives that are not financial guarantee contracts or not designated and effective as a hedging instruments.

Trading securities are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where balances are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than trading securities, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each reporting date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses. Investment properties are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3(t)(iv).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings, situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold improvements	Remaining term of the lease
— Office equipment	5 to 10 years
— Furniture and fixtures	5 years
— Motor vehicles	5 years
— Plant and machinery	5 to 10 years

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Goodwill

Goodwill arising on an acquisition of a subsidiary is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred. The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether its property, plant and equipment and intangible assets with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets (continued)

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

(m) Convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability component, which is recognised initially as part of the liability.

The derivative component is subsequently remeasured in accordance with note 3(e). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to directors and employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the appropriate valuation techniques, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). Where an option is cancelled, due to unfulfilment of the vesting condition or forfeiture after the vesting date, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

(q) Equity-settled share-based payment transactions to non-employees

Share options granted to consultants and advisors in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding adjustment to the capital reserve, when the counterparties render services, unless the services qualify for recognition as assets. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (continued)

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Provision for onerous contracts

The lease contracts used by the Group are mostly lease contracts for stores. The Group recognises a provision for onerous contract when the expected benefits to be received from the contract are less than the unavoidable costs of meeting the obligations under the contract.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(iii) Government subsidies

Government subsidies are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(u) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement are translated at average exchange rate;

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Translation of foreign currencies (continued)

(iii) all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(w) Store pre-operating costs

Operating costs (including store set-up, recruitment and training expenses) incurred prior to the operating of new stores are expensed as incurred and are included in selling and distribution costs.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's most senior executive management, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

(z) Future changes in HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised standards and amendments to HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
HK(IFRIC) — Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
Amendments to HK(IFRIC) — Int 14	*Prepayments of a Minimum Funding Requirement*[2]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010*[3]
Amendments to HKFRS 7	*Disclosures — Transfer of Financial Assets*[4]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*[5]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[6]
HKFRS 11	*Joint Arrangements*[6]
HKFRS 12	*Disclosure of Interests in Other Entities*[6]
HKAS 27 (2011)	*Separate Financial Statements*[6]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[6]
HKFRS 13	*Fair Value Measurement*[6]

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

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.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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*. The new accounting policies are set out in the notes to the financial statements. 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 36 to these financial statements, 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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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** HK$'000	**Interests in leasehold land held for own use under operating leases** HK$'000	**Total** HK$'000
As at 1 April 2009, originally stated	66,803	20,962	87,765
Effect of the adoption of the amendments to HKAS17	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 HKAS17	9,780	(9,780)	—
As at 31 March 2010 (restated)	84,553	10,310	94,863

	2011 **HK$'000**	2010 HK$'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.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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.

Notes 25, 29 and 35 to these 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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 17.

(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 Dalian, details are set out in note 36 (b) to these financial statements. In accordance with the accounting policy of the Group, the net identifiable assets 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.

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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

6. SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

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)

6. SEGMENT REPORTING (CONTINUED)

(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
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

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

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

Further details regarding the Group's principal activities are disclosed in note 6 to these financial statements.

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 (crediting):

		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
	Equity-settled share-based payment expenses		
	— Directors and employees (included in staff cost)	10,181	7,554
	— Advisors and consultants	7,419	5,133
	Provision for onerous contacts	867	2,094
	Auditors' remuneration		
	— Current year	2,056	2,169
	— Under-provision in prior year	470	—
	Operating lease charges in respect of properties		
	— Minimum lease payments	49,118	66,379
	— Contingent rent	12,670	14,145
	Loss of property, plant and equipment and inventories on fire accident	18,541	—
	Operating lease charges in respect of billboards	2,381	3,687
	Rentals receivable from investment property less direct outgoing of $Nil (2010: $Nil)	(75)	(300)
	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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	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
Withholding income tax — PRC	1,917	—
Deferred tax		
Origination and reversal of temporary differences	(299)	(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.

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (continued)

Notes: (continued)

(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.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2011 **HK$'000**	2010 HK$'000
Loss before taxation	**(173,946)**	(99,827)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	**(44,359)**	(20,567)
Tax effect of non-deductible expenses	**18,786**	6,784
Tax effect of non-taxable income	**(5,285)**	(431)
Unrecognised temporary difference	**2,259**	—
Tax effect of unused tax losses not recognised	**29,898**	14,456
Tax effect of utilisation of tax losses not recognised in prior years	**(173)**	(223)
Tax effect of reversal of unused tax losses recognised in prior years	**—**	498
Effect of tax concessions granted to subsidiaries	**—**	(488)
Recognition (Reversal) of deferred tax liabilities in respect of undistributed earnings of a PRC subsidiary	**(1,268)**	(100)
Withholding income tax	**1,917**	—
Effect of change in tax rate	**624**	(390)
Under-provision in respect of prior years	**7**	1,191
Others	**365**	(108)
Tax expense for the year	**2,771**	622

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

11. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received or receivable by the Company's directors are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity-settled share-based payments HK$'000 *(note)*	2011 Total HK$'000
Executive directors							
Tse Chiu Kwan	—	10,316	—	12	10,328	1,386	11,714
Lin Shao Hua	—	1,346	—	—	1,346	1,454	2,800
Lau Yau Chuen, Louis (appointed on 26 May 2010)	—	1,110	—	10	1,120	—	1,120
Ho Pui Yin, Jenny (resigned on 26 May 2010)	—	1,596	—	1	1,597	1,528	3,125
Non-executive director							
Yip Ying Kam	—	2,100	—	12	2,112	1,652	3,764
Independent non-executive directors							
Lau Fai Lawrence	248	—	—	—	248	30	278
Fan William Chung Yue	201	—	—	—	201	30	231
Lau Yiu Kit (appointed on 1 December 2010)	72	—	—	—	72	—	72
Chan Man Tuen, Irene (resigned on 1 September 2010)	75	—	—	—	75	15	90
	596	16,468	—	35	17,099	6,095	23,194

11. DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amounts of emoluments received or receivable by the Company's directors are as follows: (continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity-settled share-based payments HK$'000 *(note)*	2010 Total HK$'000
Executive directors							
Tse Chiu Kwan	—	8,248	—	12	8,260	1,193	9,453
Yip Ying Kam (re-designated as non-executive director on 17 July 2009)	—	675	—	4	679	83	762
Xie Hai Hui (resigned on 28 August 2009)	—	—	—	—	—	—	—
Ho Pui Yin, Jenny	—	1,922	—	12	1,934	1,081	3,015
Lin Shao Hua (appointed on 17 July 2009)	—	901	—	—	901	987	1,888
Non-executive director							
Yip Ying Kam (re-designated as non-executive director on 17 July 2009)	—	1,259	—	8	1,267	1,113	2,380
Independent non-executive directors							
Chan Man Tuen, Irene	180	—	—	—	180	21	201
Lau Fai Lawrence	222	—	—	—	222	21	243
Fan William Chung Yue	180	—	—	—	180	21	201
	582	13,005	—	36	13,623	4,520	18,143

Note: These represent the estimated value of share options granted to the directors under the Company's share option schemes. The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(p)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraphs "Pre-IPO Share Option Scheme" and "Share Option Scheme" in the Report of the Directors and note 29.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2010: four) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other one (2010: one) individual is as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	**811**	1,151
Share-based payments	**833**	640
Retirement scheme contributions	**12**	12
	1,656	1,803

The emoluments of the one (2010: one) individual with the highest emoluments are within the following band:

	2011 Number of individuals	2010 Number of individuals
HK$1,500,001–HK$2,000,000	**1**	1

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of $166,871,000 (2010: $237,631,000) which has been dealt with in the financial statements of the Company.

14. 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 *(note 31(ii))*	**(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.

15. FIXED ASSETS

	The Group									
	Property, plant and equipment									
	Buildings HK$'000	**Leasehold improvements** HK$'000	**Office equipment** HK$'000	**Furniture and fixtures** HK$'000	**Motor vehicles** HK$'000	**Plant and machinery** HK$'000	**Sub-total** HK$'000	**Investment property** HK$'000	**Interests in leasehold land held for own use under operating leases** HK$'000	**Total** HK$'000
At cost:										
At 1 April 2009, as originally stated	16,045	41,251	31,070	4,799	8,375	19,508	121,048	8,251	23,623	152,922
Effect of adoption of Amendments to HKAS17	11,126	—	—	—	—	—	11,126	—	(11,126)	—
As restated	27,171	41,251	31,070	4,799	8,375	19,508	132,174	8,251	12,497	152,922
Exchange adjustments	42	92	74	10	7	49	274	—	33	307
Additions	16,042	5,824	3,350	82	2,852	35	28,185	—	—	28,185
Disposals	—	(25,564)	(96)	—	(589)	—	(26,249)	—	—	(26,249)
At 31 March 2010	43,255	21,603	34,398	4,891	10,645	19,592	134,384	8,251	12,530	155,165
At 1 April 2010, as originally stated	32,129	21,603	34,398	4,891	10,645	19,592	123,258	8,251	23,656	155,165
Effect of adoption of Amendments to HKAS17	11,126	—	—	—	—	—	11,126	—	(11,126)	—
As restated	43,255	21,603	34,398	4,891	10,645	19,592	134,384	8,251	12,530	155,165
Exchange adjustments	1,307	897	2,224	743	187	(846)	4,512	—	518	5,030
Additions	549	10,335	338	4,609	4,287	1,969	22,087	—	—	22,087
Acquisition of subsidiaries	—	279	59	—	—	—	338	—	—	338
Disposals	(993)	—	(1,393)	(2,528)	(2,015)	(6,570)	(13,499)	(8,251)	—	(21,750)
At 31 March 2011	44,118	33,114	35,626	7,715	13,104	14,145	147,822	—	13,048	160,870
Accumulation amortisation, depreciation and impairment loss:										
At 1 April 2009, as originally stated	2,942	30,189	9,283	2,516	5,371	3,944	54,245	4,485	2,661	61,391
Effect of adoption of Amendments to HKAS17	1,016	—	—	—	—	—	1,016	—	(1,016)	—
As restated	3,958	30,189	9,283	2,516	5,371	3,944	55,261	4,485	1,645	61,391
Exchange adjustments	4	68	18	4	2	9	105	—	4	109
Charge for the year	1,326	11,150	4,036	960	1,251	1,937	20,660	274	571	21,505
Written back on disposals	—	(25,564)	(52)	—	(579)	—	(26,195)	—	—	(26,195)
At 31 March 2010	5,288	15,843	13,285	3,480	6,045	5,890	49,831	4,759	2,220	56,810
At 1 April 2010, as originally stated	3,942	15,843	13,285	3,480	6,045	5,890	48,485	4,759	3,566	56,810
Effect of adoption of Amendments to HKAS17	1,346	—	—	—	—	—	1,346	—	(1,346)	—
As restated	5,288	15,843	13,285	3,480	6,045	5,890	49,831	4,759	2,220	56,810
Exchange adjustments	(553)	589	1,465	(901)	20	556	1,176	—	640	1,816
Charge for the year	1,982	10,610	3,368	1,063	1,773	1,961	20,757	34	647	21,438
Addition of subsidiaries	—	60	17	—	—	—	77	—	—	77
Written back on disposals	(187)	—	(886)	(796)	(1,712)	(2,831)	(6,412)	(4,793)	—	(11,205)
At 31 March 2011	6,530	27,102	17,249	2,846	6,126	5,576	65,429	—	3,507	68,936
Net carrying amount:										
At 31 March 2011	37,588	6,012	18,377	4,869	6,978	8,569	82,393	—	9,541	91,934
At 31 March 2010 (restated)	37,967	5,760	21,113	1,411	4,600	13,702	84,553	3,492	10,310	98,355
At 1 April 2009 (restated)	23,213	11,062	21,787	2,283	3,004	15,564	76,913	3,766	10,852	91,531

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

15. FIXED ASSETS (CONTINUED)

(a) The analysis of net book value of properties is as follows:

	The Group		
	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Medium term leases			
— in Hong Kong	**8,025**	11,897	12,552
— outside Hong Kong	**39,104**	39,872	25,279
	47,129	51,769	37,831
Representing:			
Buildings	**37,588**	37,967	23,213
Investment property carried at cost	**—**	3,492	3,766
Interests in leasehold land held for own use under operating leases	**9,541**	10,310	10,852
	47,129	51,769	37,831

(b) Property, plant and equipment held under finance leases

The Group acquired motor vehicles under finance leases expiring in two years. During the year, additions to motor vehicles were financed by a new finance lease amounted to HK$3,100,000 (2010: HK$482,000).

At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was HK$3,527,000 (2010: HK$613,000). These assets are pledged to secure the Group's obligations under finance leases (note 27).

(c) Fixed assets pledged for bank borrowings

As at 31 March 2011, certain of the Group's properties with net book value of HK$31,000,000 (2010: HK$11,897,000) were pledged as security for certain bank borrowings and facilities granted to the Group (note 26).

16. INTANGIBLE ASSETS

	The Group			
	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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

16. INTANGIBLE ASSETS (CONTINUED)

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 products with 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 17 to these financial statements.

17. GOODWILL

	The Group 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:

	The Group 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.

17. GOODWILL (CONTINUED)

(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.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**153,424**	153,424
Fair value of share options granted to employees of subsidiaries	**9,472**	5,481
	162,896	158,905
Amounts due from subsidiaries	**565,422**	499,473
	728,318	658,378
Less: Impairment loss	**(355,000)**	(251,000)
	373,318	407,378

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but are not expected to be recovered within one year of the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Impairment loss

During the year, a number of the Company's subsidiaries sustained losses and had net liabilities as at 31 March 2011. The Company assessed the recoverable amounts of the subsidiaries and as a result an impairment loss on the interests in subsidiaries of $355,000,000 (2010: $251,000,000) was recorded as at 31 March 2011 to write down the carrying amounts to estimated recoverable amounts. The estimated recoverable amounts were determined based on the estimated future cash flows generated from these subsidiaries.

The following list contains the particular of subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Alfreda International Company Limited	Macao 22 March 2007	Macao	—	100	MOP50,000	Retailing of fashion accessories
Artini International Company Limited	Hong Kong 16 July 2003	Hong Kong	—	100	300,000 shares of HK$1 each	Retailing of fashion accessories
Artini Sales Company Limited	Hong Kong 9 June 1992	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire Gifts & Premium Mfy. Limited	Hong Kong 11 February 2004	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire International Group Company Limited	Hong Kong 10 September 1996	Hong Kong	—	100	10,000 shares of HK$1 each	Investment holding
Artist Empire Jewellery Enterprise Company Limited	Hong Kong 2 April 2005	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Mfy. Limited	Hong Kong 8 September 2006	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories
Artist Empire Silver Jewellery Mfy. Limited	Hong Kong 7 January 2004	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire (Hai Feng) Jewellery Mfy. Limited *(note)*	PRC 28 March 2002	PRC	—	100	HK$97,600,000	Manufacturing and sale of fashion accessories
Artist Star International Development Limited	BVI 7 December 2004	Hong Kong	100	—	1,000 shares of US$1 each	Investment holding
Artplus Investment Limited	Hong Kong 9 June 1992	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Arts Empire Macao Commercial Offshore Limited	Macao 14 January 2005	Macao	—	100	MOP200,000	Trading of fashion accessories and related raw materials

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Bo-Wealth (Shenzhen) Trading Co. Ltd. *(note)*	PRC 19 October 2006	PRC	—	100	HK$1,500,000	Trading of fashion accessories
Elili Int'l Company Limited	Hong Kong 19 July 2006	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories
Gain Trade Enterprise Limited	Hong Kong 15 October 2004	Hong Kong	—	100	100 shares of HK$1 each	Investment holding
Glamm International Trading (Dalian) Co., Ltd. *(note)*	PRC 27 November 2008	PRC	—	100	HK$1,000,000	Trading of fashion accessories
Gentleman Investments Limited	Hong Kong 20 January 1993	Hong Kong	—	100	10,000 shares of HK$1 each	Investment holding
Hanberg (HK) Limited	Hong Kong 5 June 2007	Hong Kong	—	100	1 share of HK$1	Not yet commence operation
Ho Easy Limited	BVI 3 May 2004	Hong Kong	—	100	1 share of US$1	Investment holding
Instar International Company Limited	BVI 25 November 2004	Hong Kong	—	100	100 shares of US$1 each	Investment holding
JCM Holding Limited	BVI 7 December 2004	Hong Kong	—	100	500 shares of US$1 each	Investment holding
Keon Company Limited	Hong Kong 27 April 2005	Hong Kong	—	100	10,000 shares of HK$1 each	Provision of logistics services
King Erich International Development Limited	BVI 7 December 2004	Hong Kong	—	100	300 shares of US$1 each	Investment holding
King Land Limited	Hong Kong 11 November 2008	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories and related raw materials
Q'ggle Company Limited	Hong Kong 19 July 2006	Hong Kong	—	100	100 shares of HK$1 each	Investment holding
Q'ggle Lingerie Company Limited	Hong Kong 30 September 2009	Hong Kong	—	73.3	7,500,000 shares of HK$1 each	Retailing of lingerie products

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Riccardo International Trading Limited	BVI 7 December 2004	Hong Kong	—	100	700 shares of US$1 each	Investment holding
Shenzhen Artini Fashion Accessories Co., Ltd. *(note)*	PRC 6 June 2006	PRC	—	100	HK$200,000,000	Retailing of fashion accessories
Shop Front Trading Limited	BVI 20 December 2000	Hong Kong	—	100	100 shares of US$1 each	Provision of product design services
TCK Company Limited	BVI 25 November 2004	Hong Kong	—	100	100 shares of US$1 each	Trading of fashion accessories and related raw materials
Techjoy Limited	BVI 12 January 2010	Hong Kong	—	100	100 shares of US$1 each	Trading of fashion accessories

Notes: These entities are wholly owned foreign enterprises established in the PRC. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

19. INTEREST IN AN ASSOCIATE

	The Group 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	498	498
Share of post-acquisition results	(298)	(88)
Disposal upon step acquisition of subsidiary	(200)	—
	—	410

The associate of the Group as at 31 March 2010 was Q'ggle, a company incorporated in Hong Kong in which the Group held 19.9% equity interest. In January 2011, the Group subscribed the shares allotment of Q'ggle at the consideration of HK$5,000,000. Upon the subscription of the shares of Q'ggle, the Group's equity interest in Q'ggle increased from 19.9% to 73.3% and is able to exercise control over Q'ggle and Q'ggle became a subsidiary of the Group, as further detailed in note 36(a) to the financial statements.

20. TRADING SECURITIES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities, at fair value				
— Listed in Hong Kong	**23,107**	21,126	**23,107**	21,126
— Listed outside Hong Kong	**1,293**	—	**—**	—
	24,400	21,126	**23,107**	21,126

21. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw material	**17,727**	17,167
Work in progress	**22,070**	20,432
Finished goods	**43,131**	32,712
	82,928	70,311

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount of inventories sold	**221,921**	182,636
(Add back) write down of inventories	**(4,056)**	7,706
	217,865	190,342

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade debtors	**49,526**	40,780	**—**	—
Less: Allowance for doubtful debts *(note 22(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	**—**	10,000
Deposits for acquisition of business *(note 22(c))*	**15,000**	37,600	**15,000**	22,600
Temporary payments	**—**	10,343		8,550
Loan receivable *(note 22(d))*	**5,477**	—	**—**	—
Other prepayments and receivables	**11,603**	21,442	**676**	137
	110,163	141,735	**15,676**	41,287

(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:

	The Group	
	2011 HK$'000	2010 HK$'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. Further details on the Group's credit policy are set out in note 35(a).

(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.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors (continued)

The movements in the allowance for doubtful debts during the year are as follows:

	The Group	
	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 22(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 third 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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Deposits for acquisition of businesses (continued)

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 36(b) to the financial statements.

(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 interest-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.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Deposits with banks and other financial institutions	**53,280**	51,734	**—**	—
Cash at bank and in hand	**77,837**	139,697	**1,653**	40,604
	131,117	191,431	**1,653**	40,604

Included in cash and cash equivalents in the consolidated statement of financial position were amounts denominated in Renminbi of approximately RMB52,069,000 (2010: RMB69,038,000). Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restriction imposed on by the PRC government.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**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	**3,173**	2,220
Amount due to subsidiaries	**—**	—	**16,956**	24,922
	55,568	61,486	**20,129**	27,142

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:

	The Group	
	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

(iii) Movements of provision for onerous contracts are summarised as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**2,094**	—
Provision for the year *(note 9(c))*	**867**	2,094
Exchange difference	**87**	—
At 31 March	**3,048**	2,094

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

25. CONVERTIBLE BONDS

On 22 January 2010, the Company issued convertible bonds ("Convertible Bonds" or the "Bonds") to an independent third party (the "Bondholder") with a principal amount of $20,000,000 (the "First Lot CB"). The Company received proceeds of $18,031,000, net of issuance costs of $1,969,000. The First Lot CB are interest-free, secured by a guarantee provided by a director of the Company and have a maturity date of 22 January 2011.

On 1 April 2010, the Company entered into a second subscription agreement with the Bondholder pursuant to which the Bondholder agreed to subscribe for convertible bonds with an aggregate principal amount of HK$20,000,000. On 13 April 2010, the subscription agreement was completed and all of the convertible bonds were issued (the "Second Lot CB"). The Company received proceeds of HK$18,844,000 from the issue of the Second Lot CB, net of issuance cost of HK$1,156,000. The Second Lot CB are interest-free, secured by a guarantee provided by a director of the Company and have a maturity date of 13 April 2011.

The principal terms of the Convertible Bonds are as follows:

(a) Optional conversion

The Bondholder's conversion rights are exercisable at any time up to maturity at the Bondholder's option. If the Bondholder exercises its conversion rights, the Company is required to deliver variable number of ordinary shares, calculated by dividing the aggregate principal amount of the Bonds to be converted, by the applicable conversion price in effect on the relevant conversion date.

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).

(b) Redemption

— *Redemption at the option of the Bondholder*

The Bondholder has the option to require the Company to redeem any Bonds at 112% of their principal amount upon the occurrence of any one of the events as specified in the bond instrument.

— *Redemption at the option of the Company*

The Company has the option to early redeem all of the Bonds at any time up to maturity, at the redemption price of 112% of the principal amount.

— *Redemption at maturity*

The First Lot CB and Second Lot CB, in respect of which conversion rights have not been exercised, will be redeemed at 112% of the principal amount on 22 January 2011 and 13 April 2011 respectively.

25. CONVERTIBLE BONDS (CONTINUED)

(b) Redemption (continued)

As the number of shares to be received at the end of each reporting date is dependent upon the previous closing price of the shares of the Company, the conversion of the Convertible Bonds will not be settled by exchange of a fixed number of the Company's equity instruments. Accordingly, the Convertible Bonds contract are separated into a liability component consisting of the straight debt element of the Bonds and a number of embedded financial derivatives consisting of redemption options and the option of the Bondholder to convert the Bonds into equity. The proceeds received from the issue of the Convertible Bonds have been split as follows:

(i) Liability components were initially measured by deducting the fair value of the embedded financial derivatives from the proceeds of issue of the Convertible Bonds as a whole.

The interest charged for the year is calculated by applying an effective interest rate applicable to the liability component.

(ii) Embedded financial derivatives comprise:

— The fair value of the conversion option of the Bondholder to convert the Convertible Bonds into the Company's shares;

— The fair value of the put option of the Bondholder to require the Company to redeem the Convertible Bonds; and

— The fair value of the call option of the Company to redeem the Convertible Bonds.

(iii) The fair value of the embedded financial derivatives was calculated using the Binomial Tree Model. The major inputs used in the model as at 22 January 2010 (date of issue of First Lot CB), 31 March 2010 and 13 April 2010 (date of issue of Second Lot CB) were as follows:

	22 January 2010	**31 March 2010**	**13 April 2010**
Share price	$1.160	$0.920	$1.080
Adjusted conversion price	$1.073	$1.073	$0.733
Risk free rate	0.22%	0.19%	0.18%
Expected life	1 year	0.81 year	1 year
Volatility	99.34%	83.24%	93.60%

The Company's stock prices were $1.160, $0.920 and $1.080 as at 22 January 2010, 31 March 2010 and 13 April 2010 respectively. The risk free rates were determined with reference to the yield of Hong Kong Exchange Fund Bills. The expected lives were estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the daily historical price volatilities of the Company.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

25. CONVERTIBLE BONDS (CONTINUED)

(b) Redemption (continued)

(iii) (continued)

Any changes in the major inputs into the model will result in changes in the fair value of the embedded financial derivatives. The variables and assumptions used in calculating the fair value of the embedded financial derivatives are based on the directors' best estimates.

The movement of the liability component and embedded financial derivatives of the Convertible Bonds for the period is set out below:

	The Group and the Company		
	Liability component HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
Issued on 22 January 2010	16,347	3,653	20,000
Transaction costs	(1,969)	—	(1,969)
Interest charged for the year *(note 9(a))*	1,242	—	1,242
Changes in fair value for the year *(note 8)*	—	(1,009)	(1,009)
As at 31 March 2010	15,620	2,644	18,264

	The Group and the Company		
	Liability component HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
As at 1 April 2010	15,620	2,644	18,264
Issued on 1 April 2010	16,574	3,426	20,000
Transaction costs	(1,156)	—	(1,156)
Interest charged for the year *(note 9(a))*	1,710	—	1,710
Changes in fair value for the year *(note 8)*	—	(757)	(757)
Conversion up to 17 May 2010	(12,611)	(2,329)	(14,940)
Redemption on 2 June 2010	(20,137)	(2,984)	(23,121)
As at 31 March 2011	—	—	—

An aggregate principal amount of Second Lot CB with principal amount HK$16,000,000 was converted into 19,441,323 ordinary shares of the Company up to 17 May 2010.

25. CONVERTIBLE BONDS (CONTINUED)

(b) Redemption (continued)

(iii) (continued)

On 2 June 2010, the Company redeemed all the convertible bonds 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.

Net gain on the changes in the fair value of the embedded financial derivatives for the year ended 31 March 2011 was HK$757,000 (2010: HK$1,009,000), which has been recorded in "Other net loss" in the consolidated income statement (note 8).

26. BANK LOANS AND OTHER FACILITIES

(a) Bank loans

At 31 March 2011, the bank loan of the Group, which is denominated in Renminbi, is secured by pledging of a property with carrying value of HK$22,976,000, carries interest at 5.68% per annum subject to China's benchmark interest rate and is repayable by 14 December 2013. As it is a loan with a clause in its term that gives the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it is classified as current liabilities even though the directors do not expect that the bank would exercise their rights to demand repayment.

(b) Other facilities

Apart from this bank loan, the Group has also obtained general banking facilities which are secured by legal charge over certain of its properties with an aggregate carrying value of HK$8,024,000 (2010: HK$11,897,000) (note 15(c)) and cross corporate guarantee given by the Group. At the end of the reporting period, the general 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) for bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

27. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2011, the Group had obligations under finance leases repayable as follows:

	The Group			
	2011		2010	
	Present value of minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**1,340**	**1,497**	233	263
After 1 year but within 2 years	**1,148**	**1,202**	231	241
	2,488	**2,699**	464	504
Less: Total future interest expenses		**(211)**		(40)
		2,488		464

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 15(b)).

28. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in other jurisdictions are members of state-managed retirement benefits schemes operated by the government of the respective jurisdictions. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect of the retirement benefits schemes is to make the specified contributions.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a Pre-IPO Share Option Scheme and a Share Option Scheme which were adopted on 23 April 2008 whereby the directors are authorised, at their discretion, to invite directors (including executive, non-executive and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers for the Group, to take up options at nominal consideration to subscribe for shares of the Company.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

The total number of shares which may be issued upon exercise of all options to be granted under the schemes shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the schemes, unless the Company obtains a fresh approval from its shareholders. Notwithstanding this, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the schemes shall not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to any individual in any 12-month period shall not exceed 1% of the total number of shares in issue at any point in time, without prior approval from the Company's shareholders. Options granted to any individual who is a substantial shareholder of the Company or independent non-executive director or any of their respective associates in the 12-month period up to and including date of such grant in excess of 0.1% of the Company's share capital at the date of grant and with a value in excess of $5 million must be approved in advance by the Company's shareholders.

Options granted under the Pre-IPO Share Option Scheme must be taken up within 28 days of the date of grant upon payment of $1 per grant of option. Options may generally be exercised from 16 May 2008 to 15 May 2011, subject to vesting periods as stated in the Pre-IPO Share Option Scheme. The subscription price for shares will be 85% of the offer price per share at the initial public offering of the Company.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant upon payment of $1 per grant of option. Options may generally be exercised at any time during the period after the options have been granted, such period to expire not later than 10 years after the date of the grant of the options. The subscription price for shares will not be less than the higher of (i) the closing price of the Company's shares on the date of options granted; (ii) the average closing price of the Company's shares for the 5 business days immediately preceding the date of options granted; and (iii) the nominal value of the Company's share. There is no minimum period for which an option granted on 27 March 2009 must be held before it can be exercised.

A maximum of 50% of the options granted to directors, employees, advisors and consultants on 27 July 2009 are exercisable between 27 July 2009 and 26 July 2010. The remaining options are exercisable between 27 July 2010 and 26 July 2011. The exercise periods of options granted to employees on 27 July 2009 are subject to certain conditions as disclosed in notes 29(a)(i) and (ii).

A maximum of 50% of the options granted to employees and consultants on 20 October 2009 are exercisable between 20 October 2009 and 19 January 2010. The remaining options are exercisable between 20 January 2010 and 19 October 2011.

For options granted on 27 July 2009 and 20 October 2009, directors and employees must remain employed by the Group for a period of two years from the respective grant dates to be unconditionally entitled to the benefits of the share options.

Options granted on 27 July 2009 and 20 October 2009 to advisors and consultants are the remunerations for their advisory services rendered to the Group for a period of two years from the respective grant dates.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Exercise price HK$	Exercise period
Options granted to directors on:			
— 2 May 2008 ("Tranche A")	2,115,000	1.887	16 May 2009 to 15 May 2010
— 2 May 2008 ("Tranche A")	2,820,000	1.887	16 May 2010 to 15 May 2011
— 27 July 2009 ("Tranche C")	31,100,000	0.830	27 July 2009 to 26 July 2011
Options granted to employees on:			
— 2 May 2008 ("Tranche A")	390,000	1.887	16 May 2009 to 15 May 2010
— 2 May 2008 ("Tranche A")	520,000	1.887	16 May 2010 to 15 May 2011
— 27 July 2009 ("Tranche D")	9,400,000	0.830	Note (i)
— 27 July 2009 ("Tranche E")	9,400,000	0.830	Note (ii)
— 20 October 2009 ("Tranche G")	14,550,000	0.680	20 October 2009 to 19 October 2011
Options granted to advisors/consultants on:			
— 27 July 2009 ("Tranche C")	29,600,000	0.830	27 July 2009 to 26 July 2011
— 20 October 2009 ("Tranche F")	2,500,000	0.680	20 October 2009 to 19 October 2011
— 20 October 2009 ("Tranche G")	32,750,000	0.680	20 October 2009 to 19 October 2011
Total share options existed during the year	135,145,000		

Notes:

(i) In respect of employees who had joined the Group for a full year or more on 27 July 2009, the options are exercisable between 27 July 2009 and 26 July 2010. In respect of employees who had not joined the Group for a full year on 27 July 2009, the options are exercisable during the 12 months commencing from the date they have been employed by the Group for one full year ("the Starting Date").

(ii) In respect of employees who had joined the Group for a full year or more on 27 July 2009, the options are exercisable between 27 July 2010 and 26 July 2011. In respect of employees who had not joined the Group for a full year on 27 July 2009, the options are exercisable during the 12 months commencing from the first anniversary of the Starting Date.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows:

	2011 Weighted average exercise price HK$'000	2011 Number of options	2010 Weighted average exercise price HK$'000	2010 Number of options
Outstanding at the beginning of the year	**0.820**	**135,145,000**	1.289	13,950,000
Granted during the year	**—**	**—**	0.749	185,100,000
Forfeited during the year	**0.890**	**(10,280,000)**	0.715	(7,070,000)
Exercised during the year	**0.697**	**(44,850,000)**	0.662	(54,300,000)
Lapsed during the year	**1.887**	**(2,505,000)**	1.887	(2,535,000)
Outstanding at the end of the year	**0.848**	**77,510,000**	0.820	135,145,000
Exercisable at the end of the year	**0.848**	**77,510,000**	0.791	122,105,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.929 (2010: HK$1.019)

The options outstanding at 31 March 2011 had an exercise price of HK$0.680 to HK$1.887 (2010: HK$0.680 to HK$1.887) and a weighted average remaining contractual life of 0.4 years (2010: 1.3 years).

Subsequent to the end of reporting period and up to the date of these financial statements, no share options under the Share Option Scheme was exercised.

(c) Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

Tranche	**Exercise period**	**Exercise price** HK$	**2011 Number of options**	2010 Number of options
A	16 May 2009 to 15 May 2010	1.887	**—**	2,505,000
A	16 May 2010 to 15 May 2011	1.887	**2,760,000**	3,340,000
C	27 July 2009 to 26 July 2011	0.830	**55,200,000**	60,400,000
D	*Note 29(a)(i)*	0.830	**—**	9,400,000
E	*Note 29(a)(ii)*	0.830	**9,600,000**	9,700,000
F	20 October 2009 to 19 October 2011	0.680	**—**	2,500,000
G	20 January 2010 to 19 October 2011	0.680	**9,950,000**	47,300,000
			77,510,000	135,145,000

Each option holder is entitled to subscribe for one ordinary share in the Company.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(d) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on either the binomial option pricing model or the Black-Scholes option pricing model. The inputs into the models were as follows:

Fair value of share options and assumptions

	Pre-IPO Share Option Scheme	**Share Option Scheme**				
Granted on	2 May 2008	27 March 2009	27 July 2009	27 July 2009	20 October 2009	20 October 2009
Tranche	A	B	C and E	D	F	G
Option pricing model	Binominal	Binominal	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Fair value per share option at measurement date	$0.824	$0.234	$0.303	$0.252	$0.038	$0.216
Share price	$2.109	$0.371	$0.830	$0.830	$0.640	$0.640
Exercise price	$1.887	$0.371	$0.830	$0.830	$0.680	$0.680
Expected volatility	50.05%	52.72%	73.11%	85.06%	45.79%	71.54%
Expected option period	3 years	10 years	2 years	1 year	0.25 year	2 years
Risk-free rate (based on Hong Kong Exchange Fund Notes)	1.852%	1.927%	0.363%	0.090%	0.030%	0.464%
Expected dividend yield	0%	0%	0%	0%	0%	0%

The expected volatility was based on the historical volatility of the share price of the Company and comparable companies. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The option pricing models require the input of highly subjective assumptions, including the volatility of share price. Changes in the subjective input assumptions could materially affect the fair value estimate.

Certain share options were granted under service conditions. These conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

30. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

The Group							
Deferred tax arising from:	**Unutilised tax losses** HK$'000	**Depreciation allowances in excess of the related depreciation** HK$'000	**Unrealised gains/losses and provision on inventories** HK$'000	**Impairment loss for bad and doubtful debts** HK$'000	**Undistributed earnings of PRC subsidiaries** HK$'000	**Revaluation of intangible assets arisen from business combination** HK$'000	**Total** HK$'000
At 1 April 2009	(5,664)	(359)	(2,883)	(578)	1,368	—	(8,116)
Charged (credited) to profit or loss	939	139	(1,582)	(869)	(100)	—	(1,473)
Exchange adjustments	(14)	—	—	(1)	—	—	(15)
At 31 March 2010	(4,739)	(220)	(4,465)	(1,448)	1,268	—	(9,604)
At 1 April 2010	(4,739)	(220)	(4,465)	(1,448)	1,268	—	(9,604)
Acquisition of subsidiary	—	—	—	—	—	3,512	3,512
Charged (credited) to profit or loss	—	169	800	—	(1,268)	—	(299)
Exchange adjustments	(191)	—	—	(62)	—	—	(253)
At 31 March 2011	(4,930)	(51)	(3,665)	(1,510)	—	3,512	(6,644)

	The Group	
	2011 **HK$'000**	2010 HK$'000
Representing:		
Net deferred tax assets recognised on the statement of financial position	**(11,526)**	(11,263)
Net deferred tax liabilities recognised on the statement of financial position	**4,882**	1,659
	(6,644)	(9,604)

In accordance with the accounting policy set out in note 3(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$261,655,000 (2010: HK$128,331,000) and deductible temporary differences of HK$9,408,000 (2010: HK$Nil) as it is not probable that future taxable profits against which the deferred tax assets can be utilised will be available in the relevant tax jurisdiction and entity. Included in unrecognised tax losses is an amount of HK$136,468,000 (2010: HK$59,092,000) which can be carried forward up to five years from the year in which the loss originated. The remaining balance does not expire under the current tax legislation.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

31. SHARE CAPITAL

(i) Authorised and issued share capital

	2011 Number of shares '000	2011 Amount HK$'000	2010 Number of shares '000	2010 Amount HK$'000
Authorised:				
Ordinary shares of $0.10 each	**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
At the beginning of the year	**1,116,538**	**111,654**	992,238	99,224
Shares issued under share placement	**83,543**	**8,354**	70,000	7,000
Shares issued under share option schemes	**44,850**	**4,485**	54,300	5,430
Shares issued upon conversion of convertible bond	**19,441**	**1,944**	—	—
Shares repurchased	**(27,052)**	**(2,705)**	—	—
	1,237,320	**123,732**	1,116,538	111,654

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 18 June 2010, the Company entered into a placing agreement with a placing agent in respect of the placement of 83,543,000 shares at a price of HK$0.53 per share. The placement was completed on 29 June 2010. The excess of the placing price over the par value of the shares, net of share issuing expenses of HK$1,550,000 was credited to the share premium account of the Company.

During the year, options were exercised to subscribe for 44,850,000 (2010: 54,300,000) shares of the Company at total consideration of HK$31,248,000 (2010: HK$35,962,000) of which HK$4,485,000 (2010: HK$5,430,000) was credited to share capital and the balance of HK$26,763,000 (2010: HK$30,532,000) was credited to the share premium account. HK$5,918,000 (2010: HK$1,815,000) has been transferred from the share-based capital reserve to the share premium account in accordance with the policy set out in notes 3(p)(ii) and (q).

During the year, the holders of the Second Lot CB exercised their rights to convert the aggregate principal amount of HK$16,000,000 into fully-paid ordinary shares. Exercise in full of such convertible bonds resulted in the issue of 19,441,323 ordinary shares.

31. SHARE CAPITAL (CONTINUED)

(ii) Purchase of own shares

During the year ended 31 March 2011, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Date of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	HK$'000
19 January 2011	10,000,000	0.520	0.490	5,038
20 January 2011	17,052,000	0.520	0.495	8,771
	27,052,000			13,809

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid and the expenses directly attributable to the repurchase were charged against the share premium account of the Company in accordance with the Bermuda Companies Act 1981 on the repurchase of the shares.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

32. RESERVES AND DIVIDENDS

The Company:

	Note	Share premium HK$'000	Contributed surplus HK$'000	Share-based capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009		400,191	133,424	6,869	(38,426)	502,058
Loss for the year		—	—	—	(237,631)	(237,631)
Total comprehensive income for the year		—	—	—	(237,631)	(237,631)
Transactions with owners of the Company						
Issue of shares under share placement	*31(i)*	47,600	—	—	—	47,600
Share issuance costs	*31(i)*	(1,911)	—	—	—	(1,911)
Equity-settled share-based transactions		—	—	10,118	2,569	12,687
Shares issued under share option schemes	*31(i)*	32,347	—	(1,815)	—	30,532
Total transactions with owners of the Company		78,036	—	8,303	2,569	88,908
At 31 March 2010		478,227	133,424	15,172	(273,488)	353,335
At 1 April 2010		**478,227**	**133,424**	**15,172**	**(273,488)**	**353,335**
Loss for the year		**—**	**—**	**—**	**(166,871)**	**(166,871)**
Total comprehensive income for the year		**—**	**—**	**—**	**(166,871)**	**(166,871)**
Transactions with owners of the Company						
Issue of shares under share placement	*31(i)*	**35,924**	**—**	**—**	**—**	**35,924**
Share issuance costs	*31(i)*	**(1,550)**	**—**	**—**	**—**	**(1,550)**
Issue of shares upon conversion of convertible bonds		**15,941**	**—**	**—**	**—**	**15,941**
Equity-settled share-based transactions		**—**	**—**	**12,842**	**4,758**	**17,600**
Shares issued under share option schemes	*31(i)*	**32,681**	**—**	**(5,918)**	**—**	**26,763**
Repurchase of shares		**(11,249)**	**—**	**—**	**—**	**(11,249)**
Total transactions with owners of the Company		**71,747**	**—**	**6,924**	**4,758**	**83,429**
At 31 March 2011		**549,974**	**133,424**	**22,096**	**(435,601)**	**269,893**

32. RESERVES AND DIVIDENDS (CONTINUED)

At 31 March 2011, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$Nil (2010: HK$Nil).

No dividend has been paid or declared during each of the year ended 31 March 2011 and 2010. The directors do not recommend the payment of a final dividend for 2011 (2010: HK$Nil).

The following provides a description of nature and purpose of each reserve within equity:

(i) Share premium

Under the Bye-laws of the Company, share premium is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company represented the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company at the time of the reorganization of the Group on 23 April 2008. Under the Bermuda Companies Act 1981, the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; and (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iii) Other reserve

The other reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries comprising the Group prior to the reorganisation of the Group on 23 April 2008.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which are dealt with in accordance with the accounting policies as set out in note 3(u).

(v) PRC statutory reserves

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

32. RESERVES AND DIVIDENDS (CONTINUED)

(v) PRC statutory reserves (continued)

— *General reserve fund*

Subsidiaries in the PRC are required to transfer 10% of the net profits, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

General reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the subsidiary's registered capital.

— *Enterprise expansion fund*

Subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of appropriation is decided by the directors of the subsidiaries.

Enterprise expansion fund can be used for the subsidiaries' business development purposes and for working capital purposes. This fund can also be used to increase capital of the relevant subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distribution of dividends to the equity holders.

(vi) Share-based capital reserve

The share-based capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to directors, employees, advisors and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments in notes 3(p)(ii) and (q).

(vii) Legal reserve

In accordance with Macao Commercial Code, the Company's subsidiary incorporated in Macao is required to appropriate 25% of net profit to legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to equity holders.

33. CASH USED IN OPERATIONS

	2011 HK$'000	2010 HK$'000
Loss before taxation	(173,946)	(99,827)
Depreciation	21,438	21,505
Finance costs	3,630	1,256
Interest income	(1,010)	(1,078)
Dividend income	(352)	(120)
Net loss (gain) on disposal of property, plant and equipment	102	(149)
Net gain on disposal of investment properties	(1,543)	—
Amortisation of intangible assets	3,699	3,391
Provision for onerous contracts	867	2,094
Allowance for doubtful debts on trade and other receivables	13,008	—
Impairment loss on trade and other receivables	7,701	—
Equity-settled share-based payment expenses	17,600	12,687
Share of loss of an associate	210	88
Loss of property, plant and equipment on fire accident	6,594	—
Realised loss on redemption of convertible bonds	3,759	—
Gain on step acquisition of a subsidiary	(1,663)	—
Net realised and unrealised losses of trading securities	8,826	2,117
Change in fair value of derivative financial instruments	(757)	(1,009)
Foreign exchange (gain) loss	(522)	7
Increase in inventories	(8,948)	(13,984)
Decrease (Increase) in trade and other receivables	3,518	(83,779)
(Decrease) Increase in trade and other payables	(9,555)	9,891
Decrease in rental deposits	1,184	5,102
Cash used in operations	(106,160)	(141,808)

34. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders, and to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the debt level by issuing new shares or selling assets to reduce debt.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

34. CAPITAL MANAGEMENT (CONTINUED)

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% at 31 March 2011 (2010: 15%). The Group had time deposits and cash balances as at 31 March 2011 amounting to $131,117,000 (2010: $191,431,000).

Some of the Group's banking facilities are subject financial covenants requirements imposed by certain creditor banks.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These debtors are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At the end of reporting period, the Group has a certain concentration of credit risk as 16% (2010: 9%) and 37% (2010: 28%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively.

At the end of reporting period, the Company has a concentration of credit risk as 94% (2010: 96%) of the total amounts due from subsidiaries was due from the five largest subsidiaries.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Credit risks and exposure are closely controlled and monitored on an on-going basis by management of the Group. Management set appropriate credit limits and terms after credit evaluations have been performed on customers on a case by case basis. Overdue status of customers is reviewed on a weekly basis. Management is well aware of the concentration of credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	The Group Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
At 31 March 2011				
Trade and other payables	**55,568**	**—**	**55,568**	**55,568**
Finance lease liabilities	**1,497**	**1,202**	**2,699**	**2,488**
Bank loans	**27,689**	**—**	**27,689**	**23,680**
	84,754	**1,202**	**85,956**	**81,736**

	The Group Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March 2010				
Trade and other payables	61,486	—	61,486	61,486
Finance lease liabilities	263	241	504	464
Convertible bonds	22,400	—	22,400	15,620
	84,149	241	84,390	77,570

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

	The Company Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
At 31 March 2011				
Accrued charges and other payables	**20,129**	**—**	**20,129**	**20,129**
At 31 March 2010				
Accrued charges and other payables	27,142	—	27,142	27,142
Convertible bonds	22,400	—	22,400	15,620
	49,542	—	49,542	42,762

	The Company Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
Financial guarantees issued:				
Maximum amounted guaranteed				
At 31 March 2011	**1,250**	**—**	**1,250**	**—**
At 31 March 2010	1,619	—	1,619	—

As at the end of the reporting period, the Company has issued guarantees to certain banks in respect of banking facilities granted to certain wholly owned subsidiaries which remain in force so long as the subsidiaries have drawn down under the banking facilities.

Certain cross guarantee arrangements issued by the Company and certain of its wholly owned subsidiaries to certain banks in respect of banking facilities granted to the Group which remain in force so long as the Group has drawn down under the banking facilities. Under each of these guarantees, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the above guarantees. The maximum liability of the Company at the end of reporting period under the sole guarantee by the Company is the aggregate amount of the facilities drawn down by the subsidiaries of HK$Nil (2010: HK$NIL). The maximum liability of the Company at the end reporting period under the cross guarantee is the aggregate amount of the facilities drawn down by all the subsidiaries that are covered by the cross guarantee, being HK$1,250,000 (2010: HK$1,619,000).

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group monitors the level of its fixed rate and variable rate borrowings and manages the contractual terms of the interest-bearing financial liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting period.

	The Group			
	2011		2010	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
— Obligations under finance leases	**11.70**	**2,488**	2.21	464
— Convertible bonds	**—**	**—**	55.03	15,620
		2,488		16,084
Variable rate borrowings:				
— Bank loans	**5.64**	**23,680**	—	—
Total interest-bearing borrowings		**26,168**		16,084

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by $237,000 (2010: $Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate.

The Group
Exposure to foreign currencies (expressed in HK$'000)

	2011			2010		
	United States dollars	**Renminbi**	**Hong Kong dollars**	United States dollars	Renminbi	Hong Kong dollars
Cash and cash equivalents	**29,961**	**—**	**4**	161,105	437	181
Trade and other receivables	**26,673**	**32**	**—**	19,769	—	—
Trade and other payables	**(6,443)**	**(147)**	**—**	(5,085)	—	—
Net exposure arising from recognised assets and liabilities	**50,191**	**(115)**	**4**	175,789	437	181

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially uneffected by any changes in movement in value of the United States dollar against other currencies.

	The Group			
	2011		2010	
	Increase (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
Renminbi	**5%**	**(6)**	5%	(22)
	(5)%	**6**	(5)%	22
Hong Kong dollar	**5%**	**—**	5%	(8)
	(5)%	**—**	(5)%	8

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure these financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2010.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities. All of these investments are listed.

The Group's listed investments are listed in Hong Kong and the PRC. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market index and other industry indicators, as well as the Group's liquidity needs.

At 31 March 2011, it is estimated that an increase/decrease of 5% (2010: 5%) in the relevant stock market index (for listed investments), with all other variables held constant, would have decreased/increased the Group's loss after tax (and accumulated losses) and other components of consolidated equity as follows:

	The Group					
		2011			2010	
		Effect on loss after tax and accumulated losses HK$'000	Effect on other components of equity HK$'000		Effect on loss after tax and accumulated losses HK$'000	Effect on other components of equity HK$'000
Change in the relevant equity price risk variable:						
Increase	5%	(1,220)	—	5%	(1,252)	—
Decrease	(5)%	1,220	—	(5)%	1,252	—

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2010.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group 2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Trading securities	**24,400**	**—**	**—**	**24,400**

	The Group 2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	21,126	—	—	21,126
Liabilities				
Derivative financial instruments:				
— Embedded financial derivatives in Convertible Bonds	—	—	2,644	2,644

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

	The Company			
	2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Trading securities	**23,107**	**—**	**—**	**23,107**

	The Company			
	2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	21,126	—	—	21,126
Liabilities				
Derivative financial instruments:				
— Embedded financial derivatives in Convertible Bonds	—	—	2,644	2,644

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	The Group and the Company	
	2011 HK$'000	2010 HK$'000
Embedded financial derivatives in Convertible Bonds:		
At beginning of the year	**2,644**	—
Issued during the year	**3,426**	3,653
Changes in fair value recognised in profit or loss during the year	**(757)**	(1,009)
Issue of shares upon conversion of convertible bonds	**(2,329)**	—
Redemption	**(2,984)**	—
At the end of reporting period	**—**	2,644
Total gains for the year included in profit or loss	**757**	1,009

The gains arising from the remeasurement of the embedded financial derivatives in the Convertible Bonds are presented in "Other net loss" in the consolidated income statement.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value (continued)

(ii) Fair values of financial instruments carried at other than fair values

The carrying amounts of significant financial assets and liabilities carried at cost or amortised cost are not materially different from their respective fair values as at 31 March 2011 and 2010.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the end of reporting period without any deduction for transaction costs.

(ii) Interest-bearing loans and borrowings and finance lease liabilities

The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Other financial assets and liabilities

The carrying values of trade and other receivables, cash and cash equivalents and trade and other payables are estimated to approximate their fair values based on the nature or short-term maturity of these instruments.

Fair value estimates are made at a specific point of time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

36. 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.

36. BUSINESS COMBINATION (CONTINUED)

(a) Step acquisition from associate to subsidiary (continued)

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.

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

36. BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of a subsidiary (continued)

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.

37. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired a motor vehicle for HK$3,730,000 of which HK$3,100,000 was financed by a new finance lease (see note 15(b)).

During the year, total consideration of HK$16,000,000 for the acquisition of Glamm Dalian was satisfied by the deposit paid for acquisition made on 25 January 2010.

38. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2011 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Contracted for	**3,249**	9,673

(b) At 31 March 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2011		2010	
	Properties	**Billboards**	Properties	Billboards
	HK$'000	**HK$'000**	HK$'000	HK$'000
Within 1 year	**35,542**	**553**	35,185	1,862
After 1 year but within 5 years	**22,656**	**—**	24,017	—
	58,198	**553**	59,202	1,862

38. COMMITMENTS (CONTINUED)

(b) (continued)

The Group leases a number of properties under operating leases in respect of retail shops, offices and warehouses. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. The operating lease rentals of certain outlets are based on the higher of minimum guaranteed rental and sales level based rental. The above operating lease commitments represent commitments for fixed rental and minimum guaranteed rental.

The Group also leases a number of billboards for advertising purpose. The leases for the billboards typically run for an initial period of one year with an option to renew the lease when all terms are renegotiated.

(c) At 31 March 2011, the Group committed to pay royalties for the usage of several brands for manufacture and trading of fashion accessories with a minimum guaranteed royalty payments as follows:

	2011 **HK$'000**	2010 HK$'000
Within 1 year	**3,713**	2,001
After 1 year but within 5 years	**2,809**	3,207
	6,522	5,208

Notes to the Financial Statements

For the year ended 31 March 2011
(Expressed in Hong Kong dollars)

39. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in other notes to the consolidated financial statements, the Group entered into the following material related party transactions during the year.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11 and certain of the highest paid employees as disclosed in note 12, is as follows:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	**20,247**	15,945
Post-employment benefits	**58**	72
Equity-compensation benefits	**7,742**	5,681
	28,047	21,698

Total remuneration is included in "staff cost" (see note 9(b)).

The related party transaction in respect of key management personnel remuneration above did not constitute connected transactions under Chapter 14A of the Listing Rules.

40. 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 report 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.

41. SUBSEQUENT EVENTS

On 28 March 2011, the Group entered into agreements on acquisition of three properties from 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 within a specific period from the payment date of the above deposit. Up to the date of these financial statements, the transfer of ownership is still in progress.