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ARTINI

ARTINI CHINA CO. LTD.

雅 天 妮 中 國 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

ANNOUNCEMENT OF FINAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2012

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2012, with comparative figures for the preceding financial year ended 31 March 2011, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Turnover	6,7	**323,311**	362,921
Cost of sales		**(249,622)**	(217,865)
Gross profit		**73,689**	145,056
Other revenue	8	**2,985**	2,482
Other net gain (loss)	8	**7,555**	(16,521)
Selling and distribution costs		**(148,138)**	(195,641)
Administrative expenses		**(62,184)**	(60,521)
Other operating expenses		**(20,635)**	(44,961)
Loss from operations		**(146,728)**	(170,106)
Finance costs	9(a)	**(1,702)**	(3,630)
Share of loss of an associate		**—**	(210)
Loss before taxation	9	**(148,430)**	(173,946)
Income tax credit (expense)	10	**4,139**	(2,771)
Loss for the year		**(144,291)**	(176,717)
Attributable to:			
Owners of the Company		**(143,342)**	(176,555)
Non-controlling interests		**(949)**	(162)
Loss for the year		**(144,291)**	(176,717)
Loss per share (HK$)	11		
Basic		**(0.116)**	(0.143)
Diluted		**(0.116)**	(0.143)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 *HK$'000*	2011 *HK$'000*
Loss for the year	**(144,291)**	(176,717)
Other comprehensive income		
Exchange differences on consolidation	**8,116**	10,428
Total comprehensive loss for the year, net of tax	**(136,175)**	(166,289)
Attributable to:		
Owners of the Company	**(135,226)**	(166,127)
Non-controlling interests	**(949)**	(162)
Total comprehensive loss for the year, net of tax	**(136,175)**	(166,289)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets			
— Investment properties		**8,306**	—
— Property, plant and equipment		**68,824**	82,393
— Interests in leasehold land held for own use under operating leases		**9,208**	9,541
Intangible assets	12	**3,180**	14,794
Goodwill	13	**—**	7,123
Rental deposits		**3,093**	7,972
Deferred tax assets		**11,841**	11,526
		104,452	133,349
Current assets			
Trading securities		**4,891**	24,400
Inventories		**65,327**	82,928
Trade and other receivables	14	**69,070**	110,163
Current tax recoverable		**955**	947
Cash and cash equivalents		**96,163**	131,117
		236,406	349,555
Current liabilities			
Trade and other payables	15	**57,402**	55,568
Bank loans		**20,101**	23,680
Obligations under finance leases		**1,067**	1,340
Current tax payable		**1,428**	2,273
		79,998	82,861
Net current assets		**156,408**	266,694
Total assets less current liabilities		**260,860**	400,043
Non-current liabilities			
Obligations under finance leases		**81**	1,148
Deferred tax liabilities		**607**	4,882
		688	6,030
NET ASSETS		**260,172**	394,013
CAPITAL AND RESERVES			
Share capital		**123,732**	123,732
Reserves		**135,948**	268,840
Total capital and reserves attributable to owners of the Company		**259,680**	392,572
Non-controlling interests		**492**	1,441
TOTAL EQUITY		**260,172**	394,013

NOTES

For the year ended 31 March 2012

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 have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 May 2008.

2. BASIS OF PRESENTATION

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 financial statements except for the adoption of the new/revised HKFRS effective from the current year that are relevant to the Group as detailed in note 4.

3. BASIS OF PREPARATION

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

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

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

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

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

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one revised HKFRS, a number of amendments to HKFRSs and 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:

HKAS 24 (Revised) — *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements. The modified disclosure requirements for government-related entities also do not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs 2010 — *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to the HKFRSs, including the following that are considered to be relevant to the Group:

Amendments to HKFRS 7 *Financial Instrument Disclosures: Clarification of disclosures*

The Amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required for renegotiated loans. The adoption of the amendments has no impact on the Group's results of operations and financial position.

Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the consolidated statement of changes in equity.

Amendments to HK(IFRIC) — Int 13 *Customer Loyalty Programmes: Fair value of award credits*

The Amendments clarify that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take into account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The adoption of this Interpretation has no material impact on the consolidated 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.

(a) Impairment of fixed assets and intangible assets

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

(b) Impairment of goodwill

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

(c) Impairment of trade and other receivables

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

(d) Write down of inventories

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

(e) Deferred tax assets

As at the end of the reporting period, no deferred tax asset in relation to unused tax losses has been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

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.

Retailing and distribution	:	the manufacture and sale of own brand fashion accessories.
Concurrent Design Manufacturing ("CDM") sales	:	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.

For the year ended 31 March 2012, approximately HK$69,883,000 or 22% (2011: HK$28,520,000 or 8%) of the Group's external revenue was derived from a single customer (2011: single customer) attributable to the CDM sales segment.

(a) Segment results

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2012 and 2011 is set out below.

	2012					
	Retailing and distribution					
	Mainland China	Hong Kong and Macao	Sub-total	CDM sales	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**70,848**	**19,860**	**90,708**	**232,603**	**—**	**323,311**
Inter-segment revenue	**—**	**—**	**—**	**23,809**	**(23,809)**	**—**
Reportable segment revenue	**70,848**	**19,860**	**90,708**	**256,412**	**(23,809)**	**323,311**
Reportable segment (loss) profit	**(61,737)**	**(16,712)**	**(78,449)**	**11,867**	**(15,680)**	**(82,262)**
Unallocated income and expenses						**(62,029)**
Loss for the year						**(144,291)**

	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)

(b) Reconciliation of reportable segment loss

	2012 *HK$'000*	2011 *HK$'000*
Reportable segment loss derived from Group's external customers	**82,262**	70,955
Share of loss of an associate	**—**	210
Net finance costs	**1,702**	3,630
Income tax (credit) expense	**(4,139)**	2,771
Unallocated head office and corporate expenses	**64,466**	99,151
Loss for the year	**144,291**	176,717

(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.

	2012 *HK$'000*	2011 *HK$'000*
Revenue from external customers		
Hong Kong and Macao	**95,169**	63,504
The PRC	**75,883**	100,146
Other parts of Asia	**16,728**	16,405
Americas	**34,302**	54,524
Europe	**97,931**	124,008
Africa	**3,298**	4,334
	323,311	362,921

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 and rental deposits.

	2012 *HK$'000*	2011 *HK$'000*
Non-current assets		
Hong Kong and Macao	**15,478**	21,370
The PRC	**77,133**	100,453
	92,611	121,823

7. TURNOVER

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

Turnover represents revenue arising from 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:

	2012	2011
	HK$'000	*HK$'000*
Retailing and distribution		
— The PRC	**70,848**	93,394
— Hong Kong and Macao	**19,860**	28,437
CDM sales	**232,603**	241,090
	323,311	362,921

Further details regarding the Group's principal activities are disclosed in note 6.

8. OTHER REVENUE AND NET GAIN (LOSS)

	2012	2011
	HK$'000	*HK$'000*
Other revenue		
Interest income	**523**	1,010
Licence fee	**731**	341
Gross rental income from investment properties	**247**	75
Dividend income from trading securities	**47**	352
Others	**1,437**	704
	2,985	2,482
Other net gain (loss)		
Net exchange loss	**(428)**	(497)
Net realised and unrealised losses on trading securities	**(5,091)**	(8,826)
Net gain on change in fair value of derivative financial instruments	**—**	757
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 gain (loss) on disposal of property, plant and equipment	**61**	(102)
Reversal of allowance for impairment loss on loan receivable *(Note 14(d))*	**3,600**	—
Compensation for losses on a fire accident *	**9,413**	—
	7,555	(16,521)

* In November 2010, there was a fire accident at the Group's production plant in Hai Feng, the PRC. The direct damage and losses on machineries, equipments and inventories in aggregate of HK$18,541,000 had been recognised during the year ended 31 March 2011. During the year ended 31 March 2012, a compensation for loss on the fire accident from an insurance company has been received.

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging (crediting):

		2012 HK$'000	2011 HK$'000
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	**1,542**	1,695
	Imputed interest on convertible bonds	**—**	1,710
	Finance charges on obligations under finance leases	**160**	225
		1,702	3,630
(b)	**Staff costs (included directors' remuneration):**		
	Salaries, wages and other benefits	**96,271**	105,403
	Equity-settled share-based payment expenses	**1,776**	10,181
	Contributions to defined contribution retirement plans	**17,145**	11,120
		115,192	126,704
(c)	**Other items:**		
	Depreciation		
	— Assets held under finance leases	**746**	816
	— Other assets	**26,964**	20,622
	Amortisation (included in selling and administrative expenses)		
	— Intangible assets	**5,225**	3,699
	Allowance for doubtful debts on trade and other receivables (included in other operating expenses)		
	— Trade receivable *(Note 14(b))*	**3,150**	9,408
	— Deposit paid for acquisition of business *(Note 14(c))*	**10,132**	—
	— Others	**1,128**	3,600
	Reversal of allowance for doubtful debts on deposit paid for acquisition of business *(Note 14(c))*	**(10,132)**	—
	Impairment loss (included in other operating expenses)		
	— Trade and other receivables	**5,103**	7,701
	— Intangible assets	**6,616**	—
	— Goodwill	**7,123**	—
	Equity-settled share-based payment expenses		
	— Directors and employees (included in staff cost)	**1,776**	10,181
	— Advisors and consultants	**558**	7,419
	(Reversal of provision) provision for onerous contracts	**(1,988)**	867
	Auditors' remuneration		
	— Current year	**2,230**	2,056
	— Under-provision in prior year	**439**	470
	Operating lease charges in respect of properties		
	— Minimum lease payments	**36,946**	49,118
	— Contingent rent	**10,279**	12,670
	— Directors' quarters	**2,436**	1,693
	Loss of property, plant and equipment and inventories on fire accident	**—**	18,541
	Operating lease charges in respect of billboards	**640**	2,381
	Rental receivable from investment properties less direct outgoing of HK$Nil (2011: HK$Nil)	**(247)**	(75)
	Cost of inventories[#]	**249,622**	217,865

[#] Cost of inventories includes HK$47,249,000 (2011: HK$48,674,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2012	2011
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**67**	1,146
Over provision in respect of prior years	**(598)**	—
	(531)	1,146
Current tax — PRC		
Provision for the year	**777**	—
Under provision in respect of prior years	**—**	7
	777	7
Withholding income tax — PRC	**—**	1,917
Deferred tax		
Origination and reversal of temporary differences	**(4,385)**	(299)
Income tax (credit) expense	**(4,139)**	2,771

Notes:

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group or Company 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% (2011: 16.5%) on the Group's estimated assessable profits arising from Hong Kong during the year.

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

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

(v) Pursuant to the Enterprise 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.

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

11. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 March 2012 is based on the loss attributable to owners of the Company of HK$143,342,000 (2011: HK$176,555,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2012 of 1,237,320,323 (2011: 1,235,302,386).

Weighted average number of ordinary shares

	2012 ***Number of shares***	2011 *Number of shares*
Issued ordinary shares at 1 April	**1,237,320,323**	1,116,538,000
Effect of shares issued under share placement	—	62,943,356
Effect of shares issued under share option schemes	—	44,740,411
Effect of shares upon conversion of convertible bonds	—	16,296,071
Effect of shares repurchased	—	(5,215,452)
Weighted average number of shares at 31 March	**1,237,320,323**	1,235,302,386

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

12. INTANGIBLE ASSETS

	Licence fees *HK$'000*	Trademarks *HK$'000*	Licence right *HK$'000*	Total *HK$'000*
Cost:				
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
At 1 April 2011	7,645	1,479	14,048	23,172
Addition	—	201	—	201
Written off	(7,063)	—	—	(7,063)
Exchange differences	26	—	—	26
At 31 March 2012	608	1,680	14,048	16,336
Accumulated amortisation:				
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
At 1 April 2011	7,101	—	1,277	8,378
Charge for the year	117	—	5,108	5,225
Written off	(7,063)	—	—	(7,063)
Impairment loss	453	—	6,163	6,616
At 31 March 2012	608	—	12,548	13,156
Net carrying amount:				
At 31 March 2012	—	1,680	1,500	3,180
At 31 March 2011	544	1,479	12,771	14,794

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

The licence fees represent the fee paid for using certain trademarks of third parties, which are capitalised and amortised on a straight-line basis over the contract periods of 2 to 3 years. The amortisation charge for the year is included in "Selling and distribution costs" in the consolidated income statement. Licence fees with cost and accumulated amortisation of HK$7,063,000 respectively were written off upon expiry during the year ended 31 March 2012.

This licence right acquired for manufacture, distribution and sale of products with trademark of third parties are amortised on the straight-line basis over the contract period of 3 years. Details of the impairment test of licence right are disclosed in note 13(a).

13. GOODWILL

	2012	2011
	HK$'000	*HK$'000*
Reconciliation of carrying amount		
At the beginning of reporting period	**7,123**	—
Arising on acquisition of a subsidiary — Glamm International Trading (Dalian) Co., Ltd. ("Glamm Dalian")	**—**	4,661
Arising on step acquisition of a subsidiary — Q'ggle Lingerie Company Limited ("Q'ggle Lingerie")	**—**	2,462
Impairment losses	**(7,123)**	—
At the end of 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 recoverable amount of a CGU of Glamm Dalian and Q'ggle Lingerie are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. 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

During the year ended 31 March 2011, the cash flow projection was based on the forecast approved by management covering the contract period of 3 years. Growth rate used in the projection for 3 years was based on the expected growth rate of the market and expected market share. The discount rate applied to the cash flow projection was 21.58% which reflected specific risk relating to timepiece business in the PRC.

During the year, the sales performance of sport brand timepiece products were substantially below expectation due to low popularity of the mid to low-end sport brand timepiece products in PRC retail market. As a result, Glamm Dalian was operating at substantial loss. At the end of the reporting period, the management carried out a review of the recoverable amounts of the goodwill and licence right. The recoverable amounts of the goodwill and licence right are estimated based on a cash flow forecast covering the remaining contract period of 1.5 years subsequent to the date of reporting period. Accordingly, the carrying amounts of the goodwill and licence right were written down by HK$4,661,000 (2011: HK$ not applicable) and HK$6,163,000 (2011: HK$ not applicable) respectively.

(b) Goodwill from acquisition of Q'ggle Lingerie

The goodwill was arising from a step acquisition of Q'ggle Lingerie in January 2011. Q'ggle Lingerie is principally engaged in retail business of lingerie in the PRC, Hong Kong and Macao. During the year ended 31 March 2011, the cash flow projection was based on the forecast prepared by management covering a period of 2 years. The cash flow projection for the purpose of impairment testing of goodwill was prepared primarily based on i) the expected growth rate of turnover which was based on the market in which Q'ggle Lingerie operated and expected market share; and ii) historical gross margin achieved in prior years.

During the year, the sales performance of lingerie retail business was below expectation. The Group had no competitive edge in terms of brand name and quality of products in the lingerie retail business that both the turnover volume and profit margin were adversely affected. The management has changed its intention to scale down the retail business and focus on its core business of CDM sales. In May 2012, the last retail shop under the brand of Q'ggle Lingerie was closed down. The management currently has no plan to re-open retail store under Q'ggle Lingerie brand. The Group assessed the recoverable amount of the goodwill based on the value in use of the goodwill arising from Q'ggle Lingerie. As a result of the review, the carrying amount of the goodwill was fully written down by HK$2,462,000 (2011: HK$ not applicable) at the end of the reporting period.

14. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade debtors	**46,682**	49,526
Less: Allowance for doubtful debts *(note 14(b))*	**(12,902)**	(9,752)
	33,780	39,774
Rental deposits	**12,385**	10,168
Prepayment for purchase of raw materials	**11,398**	25,306
Prepayment for advertising service	**834**	2,835
Deposit for acquisition of business *(note 14(c))*	**5,260**	15,000
Loan receivable *(note 14(d))*	**—**	5,477
Other prepayments and receivables	**5,413**	11,603
	69,070	110,163

(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:

	2012	2011
	HK$'000	*HK$'000*
By due date		
Current	**18,335**	24,429
Less than 3 months past due	**11,282**	10,172
3 to 6 months past due	**2,468**	1,687
Over 6 months past due	**1,695**	3,486
Amounts past due	**15,445**	15,345
	33,780	39,774

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

(b) Impairment of trade debtors

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

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

	2012	2011
	HK$'000	*HK$'000*
At 1 April	**9,752**	344
Increase in allowance	**3,150**	9,408
At 31 March	**12,902**	9,752

At 31 March 2012, the Group made specific allowances for doubtful debts for trade debtors which were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the prospect of recovery of the receivables was remote.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are set out in note 14(a).

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

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

(c) Deposit for acquisition of business

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 the delay in the progress of the project, 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).

In June 2011, the Group received partial payments of the consideration in aggregate of HK$4,724,000. In view of the default of final payment of HK$11,023,000 which was due on August 2011, the management determined to recognise an allowance for impairment loss of HK$10,132,000 for the period ended 30 September 2011. Subsequent to 30 September 2011, the management took actions to follow up the settlement of the final payment. Amounts of HK$5,000,000 and HK$5,260,000 were received in March and May 2012 respectively. Taking into account of the receipt of final payment in full subsequent to the end of the reporting date, a reversal of an allowance for impairment loss of HK$10,132,000 was recognised during the year ended 31 March 2012.

(d) Loan receivable

As at 31 March 2011, the loan receivable balance together with accrued interest was amounted to in aggregate of HK$9,077,000. Considering of frequent default of repayments on time, an allowance for impairment loss of HK$3,600,000 was recognised during the year ended 31 March 2011. During the reporting period, the loan receivable together with accrued interest have been fully settled, therefore the allowance for impairment loss of HK$3,600,000 was reversed.

15. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade creditors *(note 15(a))*	**13,931**	8,573
Receipts in advance	**11,036**	13,948
Value added tax and other tax payable	**1,552**	356
Provision for onerous contracts *(note 15(b))*	**1,188**	3,048
Accrued charges and other payables	**29,695**	29,643
	57,402	55,568

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.

(a) Trade creditors

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

	2012	2011
	HK$'000	*HK$'000*
By date of invoice:		
Within 3 months	**10,760**	8,473
More than 3 months but within 6 months	**1,842**	93
More than 6 months but within 1 year	**1,255**	5
Over 1 year	**74**	2
	13,931	8,573

(b) Provision for onerous contracts

Movements of provision for onerous contracts are summarised as follows:

	2012	2011
	HK$'000	*HK$'000*
At beginning of year	**3,048**	2,094
Provision made	**—**	867
Amount reversed	**(1,988)**	—
Exchange differences	**128**	87
At the end of reporting period	**1,188**	3,048

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the Year, the Group recorded a total turnover of approximately HK$323,311,000 (2011: HK$362,921,000), representing a decrease of 10.9% as compared with last year. The decrease was mainly due to the decrease in retail points compared with last year followed by the strategic consolidation of the Group's overall business development. The gross profit was HK$73,689,000 (2011: HK$145,056,000), representing a decrease of 49.2% compared with last year. During the Year, loss attributable to the owners of the Company was HK$143,342,000 (2011: HK$176,555,000). Loss per share was HK$0.116 (2011: HK$0.143).

The Board does not recommend the payment of any final dividends for the year ended 31 March 2012 (2011: Nil).

Retail Business

The Group simultaneously developed the retail business of its proprietary brands, "Artini" and "Q'ggle". During the Year, the Group continued to adopt stringent cost control by consolidating internal resources, streamlining staff structure and cutting costs. The Group also reorganised its retail network by strategically closing down retail points with relatively poor performance to reduce operating costs. As at 31 March 2012, the Group had approximately 50 retail points (2011: 120 retail points) in total throughout the Mainland China and Hong Kong, covering more than 10 Chinese cities. During the Year, the retail business recorded a turnover of HK$90,708,000 (2011: HK$121,831,000), accounted for approximately 28.1% of the Group's total turnover, representing a decrease of 25.5% compared with last year.

Meanwhile, the Group strengthened the distributorship business model to expand its sales network and increased its retail points in a cost-effective way while reducing operating expenses. In addition, through exploring TV direct selling and online sales platforms, we established our sales network at low cost.

During the Year, the Group continued its cooperation with GuangDong Post Advertising Co. Ltd. ("China Post") to develop various postal-related products based on Artini's accessory products. The Group was also permitted to use post offices designated by China Post for direct mail orders and online sales platforms to sell products of the Group, and held ongoing marketing activities for customers of China Post to promote products of the Group.

Through consistently adopting the Customer Relationship Management ("CRM") plan, the Group was able to enhance the loyalty of its customers. As of 31 March 2012, the number of VIP customers of "Artini" was 102,659, representing an increase of 8.1% over the same period of last year; while the number of VIP customers of "Q'ggle" increased by 10.6% to 47,396. Loyal customers contributed the majority of the Group's revenue. By analyzing the shopping habits of our VIP customers, the Group has strategically planned and promoted our retail business and other promotional activities and has developed a series of new products catering our customers' preferences.

CDM Business

During the Year, the Group cooperated actively with internationally renowned brands, concurrently designed and manufactured products under the brands, and exported and distributed these products worldwide. The internationally renowned brands included Marks & Spencer, Disney, Nine West, Nautica, Guess, Carolee, Tchibo, etc.

The Group has been actively expanding its business in the gift and premium market in the PRC through providing one-stop gift and premium services to domestic large enterprises. During the Year, the Group provided gifts and premium production services for Bank of China, China Post, Proya, etc.

During the Year, as the export business was impacted by the sluggish economy of Europe and the US, therefore the Group's CDM business recorded a slight decrease of 3.5% from the same period of last year to HK$232,603,000 (2011: HK$241,090,000), accounting for 71.9% of the total turnover.

Prospects

The Year represented the consolidation period for the long-term development of the Group's overall business. The Group adjusted its overall business development strategies, adopted stringent control on its production and operation costs and reorganised its sales network by cutting its operating costs, establishing a solid foundation for its steady development in future.

Despite the uncertain economy, the Group is still optimistic about the global gift market, particularly the emerging markets with tremendous potential such as China and Russia. The Group will proactively develop its CDM business in those markets, seek new customers and cooperate with large enterprises by designing and manufacturing souvenirs for their existing and target customers, and explore more market opportunities. In addition, the Group will strengthen its marketing and promotional work, particularly in online promotion, in the hope that the brand awareness from its target customers will be raised at a minimal cost. Eventually, the Group will be able to expand its market and maximizing the returns.

Apart from this, the Group is currently developing new products series and, in view of the huge growth in demand in the wedding market, is expected to launch wedding accessories in the forthcoming year, which allows the Group to provide diversified product categories for customers.

The Group has successfully built a solid market presence for the "Artini" brand after years of hard work and will continue to focus on the expansion of the "Artini" brand in order to further solidify the product image of refinement and fashion and establish a trendy fashion culture by providing customers with highly sophisticated quality fashionable accessories. While adjusting the business strategy, the Board will proactively secure the opportunities arising from the fashionable accessory market in the PRC and the global gift market for business expansion.

Financial Review

Turnover

Turnover of the Group for the Year amounted to HK$323,311,000, representing a decrease of 10.9% compared to the previous year.

CDM business

CDM business turnover recorded a year-on-year decrease of 3.5% to HK$232,603,000 during the Year, accounting for 71.9% of the Group's total turnover (2011: 66.4%). This decrease was mainly due to sluggish performance of the European and the US economy.

Retail business

The retail business was one of the two major revenue generators for the Year, accounting for 28.1% of the Group's total turnover (2011: 33.6%). During the Year, turnover from our retail business decreased 25.5% to HK$90,708,000. This decline was mainly due to the decrease in the number of retail points.

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 23.5%, 10.6%, 30.3% and 29.4% of the turnover respectively in 2012, compared to 27.6%, 15.0%, 34.2% and 17.5% in 2011.

Cost of sales

Cost of sales increased from approximately HK$217,865,000 of last year to approximately HK$249,622,000 for the year ended 31 March 2012, representing an increase of approximately HK$31,757,000. This was mainly due to the increase in labour cost and cost of raw material.

Gross profit

The overall gross profit of the Group decreased from HK$145,056,000 in 2011 to HK$73,689,000 in 2012, representing a decrease of 49.2%. The gross profit margin also decreased from approximately 40.0% to approximately 22.8%, 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 65.1% of the Group's total sales, compared with 70.6% 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$195,641,000 for the year ended 31 March 2011 to approximately HK$148,138,000 for the Year, representing a decrease of approximately HK$47,503,000. 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 decrease in retail points.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs for Directors and executives. These expenses amounted to HK$62,184,000 for the Year, representing 19.2% of the Group's total sales, compared with 16.7% of last year.

During the Year, other operating expenses decreased to HK$20,635,000 (2011: HK$44,961,000) mainly due to the decrease in the impairment loss on trade and other receivables from HK$7,701,000 to HK$5,103,000 and allowance for doubtful debts on trade and other receivables from HK$13,008,000 to HK$4,278,000.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was HK$143,342,000 (2011: HK$176,555,000) 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, the income tax credit of the Group amounted to HK$4,139,000 (2011: tax expense of HK$2,771,000). The change was mainly due to the recognition of deferred tax assets.

Loss per share

There was a decrease in loss per share from HK$0.143 for the year ended 31 March 2011 to loss per share of HK$0.116 for the Year.

Dividend

The Board does not recommend the payment of any final dividends for the Year (2011: 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. Foreign currency exposure to United States dollars is minimal as Hong Kong dollars is pegged to the United States dollars. During the fiscal year, the exchange rate of Renminbi to Hong Kong dollars increased steadily. 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, the Group recorded net exchange loss of approximately HK$428,000.

Significant Investments and Acquisitions

During the Year, the Group did not have any significant investments, acquisitions or disposals of subsidiaries. The Group continued to seek opportunities to acquire and cooperate with international customers in order to generate better 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$5,103,000 (2011: HK$7,701,000).

Reversal of allowance for doubtful debts on deposit paid for acquisition of business

During the Year, a reversal of an allowance for impairment loss of HK$10,132,000 made in interim financial statements for the period ended 30 September 2011 was recognised because of the receipt of final payment in full subsequent to the end of the reporting date.

Impairment loss on intangible assets and goodwill

For the Year, the impairment loss on intangible assets and goodwill amounted to approximately HK$13,739,000 (2011: HK$Nil). This increase was mainly due to the sales performance of sport brand timepiece products and lingerie retail business were below expectation. Especially the sport timepiece products recorded a substantial loss. The Group had not been able to implement the business strategies for the sport timepiece products effectively due to the following reasons;

i) Most of the mid to low-end sport timepiece products were sold in the Group's retail points in the PRC. Nevertheless, the Group's brand products primarily target the growing mid to high-end fashion accessories market. It had a material adverse impact on the sale performance of the sport timepiece products.

ii) The Group had not been able to obtain retail shop in the PRC on commercial acceptable terms for purely the sport timepiece products, as the popularity of the mid to low-end sport brand timepiece products was low in the PRC retail market.

iii) The marketing campaigns were not successful.

Impairment of trade debtors

At 31 March 2012, the Group made specific allowances for doubtful debts and impairment loss for trade debtors with amount HK$3,150,000 and HK$2,289,000 respectively. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that the prospect of recovery of the receivables was in doubt.

The Group is taking necessary steps including negotiations and legal actions to seek the final settlement of these receivables.

Employees and emoluments

As at 31 March 2012, the Group had approximately 1,690 employees (2011: 1,900). 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 2012, the bank loan of the Group amounted to HK$20,101,000, which was denominated in Renminbi, was secured by pledging of a property with carrying value of HK$22,304,000 (2011: 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$4,091,000 (2011: HK$8,024,000) and cross corporate guarantee given by the Group. At the end of the reporting period, banking facilities available to the Group amounted to HK$503,000 (2011: HK$11,598,000), which were utilised by the Group to the extent of HK$463,000 (2011: HK$1,250,000).

As at 31 March 2012, the Group's obligations under finance leases amounted to HK$1,148,000.

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 23.7% as at 31 March 2012 (2011: 18.4%). The Group had time deposits and cash balances as at 31 March 2012 amounted to HK$96,163,000 (2011: HK$131,117,000).

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 2012 (2011: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

The Company has adopted the Code on Corporate Governance Practices (amended to "Corporate Governance Code and Corporate Governance Report" on 1 April 2012) (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, the Company has complied with all the provisions in the CG Code during the Year.

Under provision A.2.1 of the CG Code, the roles of the Chairman and the chief executive ("CE") should be separate and should not be performed by the same individual. The Company has appointed Mr. Tse Chiu Kwan ("Mr. Tse") as CE with effect from 28 November 2011. The roles of the chairman and CE are performed by Mr. Tse. Mr. Tse is one of the founders of the Group and possesses rich knowledge and experience of the jewellery industry and the related industries, the Board believes that vesting the roles of the chairman and CE in Mr. Tse provides the Company with strong leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders of the Company.

The Company has not appointed a CE from 1 April 2011 to 27 November 2011 (the "Period"). During the Period, the overall management of the Company was performed by Mr. Tse, Mr. Lin Shao Hua (resigned on 31 October 2011) and Mr. Lau Yau Chuen, Louis (up and until his resignation effective from 18 July 2011), all of whom were executive Directors who have extensive experience in either the jewellery industry or the accounting field. Their respective areas of profession spearhead the Group's overall development and business strategies. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its share during the Year and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. During the Year, the Audit Committee comprised three members, all are independent non-executive Directors, namely Mr. Lau Fai Lawerence (Chairman), Mr. Fan William Chung Yue (resigned on 8 May 2012) and Mr. Lau Yiu Kit. The Audit Committee currently comprises two members, all are independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman) and Mr. Lau Yiu Kit. The Audit Committee has held meetings with the Company's auditor, Mazars CPA Limited, to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the Year and the interim financial report for the six months ended 30 September 2011.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of the Group's annual results for the Year is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.artini-china.com.

The 2012 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 29 June 2012

As at the date of this announcement, the executive Directors are Mr. Tse Chiu Kwan and Ms. Yip Ying Kam; and the independent non-executive Directors are Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit.