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 2013

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 2013, together with comparative figures for the preceding financial year ended 31 March 2012, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Turnover	6, 7	**191,218**	323,311
Cost of sales		**(147,388)**	(249,622)
Gross profit		**43,830**	73,689
Other revenue	8	**3,152**	2,985
Other net (loss) gain	8	**(755)**	7,555
Selling and distribution costs		**(78,633)**	(148,138)
Administrative expenses		**(54,883)**	(62,184)
Other operating expenses		**(9,980)**	(20,635)
Loss from operations		**(97,269)**	(146,728)
Finance costs	9(a)	**(1,630)**	(1,702)
Loss before taxation	9	**(98,899)**	(148,430)
Income tax (expense) credit	10	**(10,129)**	4,139
Loss for the year		**(109,028)**	(144,291)
Attributable to:			
Owners of the Company		**(109,008)**	(143,342)
Non-controlling interests		**(20)**	(949)
Loss for the year		**(109,028)**	(144,291)
Loss per share (HK$)	11		
Basic		**(0.088)**	(0.116)
Diluted		**(0.088)**	(0.116)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(109,028)**	(144,291)
Other comprehensive income		
Exchange differences on consolidation	**1,314**	8,116
Total comprehensive loss for the year, net of tax	**(107,714)**	(136,175)
Attributable to:		
Owners of the Company	**(107,694)**	(135,226)
Non-controlling interests	**(20)**	(949)
Total comprehensive loss for the year, net of tax	**(107,714)**	(136,175)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Fixed assets			
— Investment properties		**17,558**	8,306
— Property, plant and equipment		**48,434**	68,824
— Interests in leasehold land held for own use under operating leases		**8,729**	9,208
Intangible assets		**1,247**	3,180
Rental deposits		**1,254**	3,093
Deferred tax assets		**2,159**	11,841
		79,381	104,452
Current assets			
Trading securities		**—**	4,891
Inventories		**35,304**	65,327
Trade and other receivables	13	**51,075**	69,070
Current tax recoverable		**970**	955
Cash and cash equivalents		**52,456**	96,163
		139,805	236,406
Current liabilities			
Trade and other payables	14	**43,207**	57,402
Bank loans		**20,708**	20,101
Obligations under finance leases		**379**	1,067
Current tax payable		**2,328**	1,428
		66,622	79,998
Net current assets		**73,183**	156,408
Total assets less current liabilities		**152,564**	260,860
Non-current liabilities			
Obligations under finance leases		**288**	81
Deferred tax liabilities		**425**	607
		713	688
NET ASSETS		**151,851**	260,172
CAPITAL AND RESERVES			
Share capital		**123,732**	123,732
Reserves		**27,857**	135,948
Total capital and reserves attributable to owners of the Company		**151,589**	259,680
Non-controlling interests		**262**	492
TOTAL EQUITY		**151,851**	260,172

NOTES

For the year ended 31 March 2013

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. 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.

2. BASIS OF PRESENTATION

The 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. The 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 (the "Listing Rules").

The financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 financial statements except for the adoption of the amendments to HKFRSs effective from the current year that are relevant to the Group as detailed in note 4.

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 historical cost.

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 a number of amendments to HKFRSs 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:

Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*
Amendments to HKFRS 7	*Disclosures — Transfers of Financial Assets*

The adoption of these amendments to HKFRSs has no significant effect on the results and financial positions of the Group and the Company for the current and prior years.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the 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.

Key source of estimation of uncertainty:

(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 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 original effective interest rate. 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.

(c) 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.

(d) 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.
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.

No revenue from a single external customer amounted to 10% or more of the Group's external revenue for the year ended 31 March 2013. For the year ended 31 March 2012, HK$69,883,000 or 22% of the Group's revenue was derived from a single customer attributable to the CDM sales segment.

(a) Segment information

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 results before taxation and finance costs. Head office and corporate expenses are not allocated. The Group's most senior executive management is provided with segment information concerning segment revenue and profit.

Segment assets include all assets with the exception of investment properties, trading securities and corporate assets including corporate cash and cash equivalents and other receivables. Segment liabilities include all liabilities with the exception of corporate liabilities including corporate other payables.

Inter-segment sales are priced at cost plus profit margin.

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 2013 and 2012 is set out below.

	2013					
	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	**32,297**	**12,185**	**44,482**	**146,736**	**—**	**191,218**
Inter-segment revenue	**—**	**—**	**—**	**13,081**	**(13,081)**	**—**
Reportable segment revenue	**32,297**	**12,185**	**44,482**	**159,817**	**(13,081)**	**191,218**
Reportable segment (loss) profit	**(51,741)**	**(11,676)**	**(63,417)**	**14,930**	**3,842**	**(44,645)**
Unallocated head office and corporate expenses						**(52,624)**
Finance costs						**(1,630)**
Income tax expenses						**(10,129)**
Loss for the year						**(109,028)**
Assets						
Segment assets	**147,608**	**29,126**	**176,734**	**359,211**	**(335,532)**	**200,413**
Investment properties						**17,558**
Corporate assets						**1,215**
Total assets						**219,186**
Liabilities						
Segment liabilities	**385,086**	**103,504**	**488,590**	**457,525**	**(880,997)**	**65,118**
Corporate liabilities						**2,217**
Total liabilities						**67,335**
Other information						
Depreciation of property, plant and equipment	**5,700**	**890**	**6,590**	**6,118**	**—**	**12,708**
Depreciation of interests in leasehold land held for own use under operating leases	**—**	**—**	**—**	**582**	**—**	**582**
Depreciation of investment properties	**—**	**—**	**—**	**—**	**—**	**428**
Amortisation	**1,500**	**—**	**1,500**	**—**	**—**	**1,500**
Interest income	**—**	**—**	**—**	**—**	**—**	**2,214**
Interest expenses	**—**	**—**	**—**	**—**	**—**	**1,630**
Allowance for doubtful debts on trade receivables	**—**	**—**	**—**	**5,828**	**—**	**5,828**
Impairment loss						
— Trade and other receivables	**395**	**—**	**395**	**36**	**—**	**431**
— Intangible assets	**—**	**593**	**593**	**—**	**—**	**593**
Additions to property, plant and equipment	**889**	**—**	**889**	**964**	**—**	**1,853**

	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 head office and corporate expenses						(64,466)
Finance costs						(1,702)
Income tax credit						4,139
Loss for the year						(144,291)
Assets						
Segment assets	228,983	35,107	264,090	393,285	(349,037)	308,338
Investment properties						8,306
Trading securities						4,891
Corporate assets						19,323
Total assets						340,858
Liabilities						
Segment liabilities	406,254	93,921	500,175	455,415	(877,384)	78,206
Corporate liabilities						2,480
Total liabilities						80,686
Other information						
Depreciation of property, plant and equipment	19,206	1,236	20,442	6,394	—	26,836
Depreciation of interests in leasehold land held for own use under operating leases	—	—	—	663	—	663
Depreciation of investment properties	—	—	—	—	—	211
Amortisation	5,225	—	5,225	—	—	5,225
Interest income	—	—	—	—	—	523
Interest expenses	—	—	—	—	—	1,702
Allowance for doubtful debts on trade receivables	2,974	176	3,150	—	—	3,150
Impairment loss						
— Trade and other receivables	1,742	785	2,527	2,576	—	5,103
— Intangible assets	6,616	—	6,616	—	—	6,616
Additions to property, plant and equipment	5,752	599	6,351	5,003	—	11,354
Additions to investment properties	—	—	—	—	—	8,479

(b) 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.

	2013	2012
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong and Macao	**19,150**	95,169
The People's Republic of China ("PRC")	**32,551**	75,883
Other parts of Asia	**11,161**	16,728
Americas	**33,860**	34,302
Europe	**91,736**	97,931
Africa	**2,760**	3,298
	191,218	323,311

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 and rental deposits.

	2013	2012
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong and Macao	**13,212**	15,478
The PRC	**64,010**	77,133
	77,222	92,611

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:

	2013	2012
	HK$'000	*HK$'000*
Retailing and distribution		
— The PRC	**32,297**	70,848
— Hong Kong and Macao	**12,185**	19,860
CDM sales	**146,736**	232,603
	191,218	323,311

8. OTHER REVENUE AND NET (LOSS) GAIN

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Interest income	**2,214**	523
Licence fee	**80**	731
Gross rental income from investment properties	**511**	247
Dividend income from trading securities	**—**	47
Others	**347**	1,437
	3,152	2,985
Other net (loss) gain		
Net exchange gain (loss)	**456**	(428)
Net realised and unrealised losses on trading securities	**(464)**	(5,091)
Net gain on disposal of property, plant and equipment	**53**	61
Compensation for termination of licence fee	**(800)**	—
Reversal of allowance for impairment loss on loan receivable	**—**	3,600
Compensation for losses on a fire accident	**—**	9,413
	(755)	7,555

9. LOSS BEFORE TAXATION

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

		2013	2012
		HK$'000	*HK$'000*
(a)	**Finance costs:**		
	Interest on interest-bearing borrowings wholly repayable within five years	**1,574**	1,542
	Finance charges on obligations under finance leases	**56**	160
		1,630	1,702
(b)	**Staff costs (included directors' remuneration):**		
	Salaries, wages and other benefits	**80,171**	96,271
	Equity-settled share-based payment expenses	**268**	1,776
	Contributions to defined contribution retirement plans	**8,307**	17,145
		88,746	115,192
(c)	**Other items:**		
	Depreciation		
	— Assets held under finance leases	**714**	746
	— Other assets	**13,004**	26,964
	Amortisation on intangible assets (included in selling and distribution expenses)	**1,500**	5,225
	Allowance for doubtful debts on trade receivables (included in other operating expenses) *(note 13(b))*	**5,828**	3,150
	Impairment loss (included in other operating expenses)		
	— Trade and other receivables	**431**	5,103
	— Intangible assets	**593**	6,616
	Equity-settled share-based payment expenses		
	— Directors and employees (included in staff costs)	**268**	1,776
	— Advisors and consultants	**—**	558
	Auditor's remuneration		
	— Current year	**2,130**	2,230
	— Under-provision in prior year	**—**	439
	Operating lease charges in respect of properties		
	— Minimum lease payments	**23,762**	36,946
	— Contingent rent	**4,125**	10,279
	— Directors' quarters (included in staff costs)	**2,000**	2,436
	Rental receivables from investment properties less direct outgoing of $Nil (2012: $Nil)	**(511)**	(247)
	Cost of inventories#	**147,388**	249,622

Cost of inventories includes HK$39,530,000 (2012: HK$47,249,000) 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 EXPENSE (CREDIT)

	2013 HK$'000	2012 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**519**	67
Under (Over) provision in respect of prior years	**88**	(598)
	607	(531)
Current tax — PRC Enterprise Income Tax		
Provision for the year	**—**	777
Deferred tax		
Origination and reversal of temporary differences	**9,522**	(4,385)
Income tax expense (credit)	**10,129**	(4,139)

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% (2012: 16.5%) on the Group entities' 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 is 25% (2012: 25%).

(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 2013 is based on the loss attributable to owners of the Company of HK$109,008,000 (2012: HK$143,342,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2013 of 1,237,320,323 (2012: 1,237,320,323).

Diluted loss per share amounts for the current and prior year 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. DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2013 (2012: HK$Nil).

13. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**26,931**	46,682
Less: Allowance for doubtful debts *(note 13(b))*	**(6,348)**	(12,902)
	20,583	33,780
Rental deposits	**6,864**	12,385
Prepayment for purchase of raw materials and finished goods	**18,919**	11,398
Prepayment for advertising service	—	834
Deposits for acquisition of business	—	5,260
Other prepayments and receivables	**4,709**	5,413
	51,075	69,070

(a) Ageing analysis

The ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts), based on invoice date, at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
0–30 days	**7,145**	16,297
31–60 days	**2,302**	1,392
61–90 days	**1,709**	6,836
Over 90 days	**9,427**	9,255
	20,583	33,780

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 3 months past due	**3,823**	11,282
3 to 6 months past due	**3,419**	2,468
Over 6 months past due	**4,146**	1,695
	11,388	15,445

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

Trade 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.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables 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 receivables directly.

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

	2013	2012
	HK$'000	*HK$'000*
At the beginning of the year	**12,902**	9,752
Increase in allowance	**5,828**	3,150
Amount written off	**(12,382)**	—
At the end of the reporting period	**6,348**	12,902

At the end of the reporting period, the Group made specific allowance for doubtful debts for trade receivables 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.

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

14. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables *(note 14(a))*	**6,819**	13,931
Receipts in advance	**7,944**	11,036
Value added tax and other tax payables	**2,950**	1,552
Wage and pension payables	**13,064**	14,962
Accrued charges and other payables	**12,430**	15,921
	43,207	57,402

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

(a) Trade payables

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

	2013	2012
	HK$'000	*HK$'000*
By date of invoice:		
Within 3 months	**6,075**	10,760
More than 3 months but within 6 months	**276**	1,842
More than 6 months but within 1 year	**122**	1,255
Over 1 year	**346**	74
	6,819	13,931

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2013 (the "Year"), the Group recorded a total turnover of approximately HK$191,218,000 (2012: HK$323,311,000), representing a decrease of 40.9% as compared with last year. The decrease was mainly due to the intense market competition in Hong Kong and the Mainland China, the sluggish performance of the European economy, as well as the reduction in retail points as compared with last year following the strategic consolidation of the Group's overall business development. Gross profit was HK$43,830,000 (2012: HK$73,689,000), representing a decrease of 40.5% as compared with last year. During the Year, loss attributable to the owners of the Company was HK$109,008,000 (2012: HK$143,342,000). Loss per share was HK$0.088 (2012: HK$0.116).

Retail Business

In face of the global economic uncertainties, the consumer markets in Hong Kong and the Mainland China were both affected during the Year, resulting in weaker consumer sentiment.

During the Year, the Group's retail business was affected by the weakened consumer sentiment caused by external economic uncertainties and the fierce market competition. To combat such impacts, the Group strategically reorganised its retail network through integrating internal resources and adopting stringent cost control measures. As at 31 March 2013, the Group had a total of approximately 30 retail points (2012: 50 retail points) throughout the PRC and Hong Kong covering over 10 cities in the PRC. During the Year, the retail business recorded a turnover of HK$44,482,000 (2012: HK$90,708,000), accounting for approximately 23.3% of the Group's total turnover and representing a decrease of 51.0% as compared with last year.

During the Year, the performance of retail business in the second half of the reporting period was weaker than the first half of the year. It was mainly due to further write-down of inventories approximately HK$18,695,000 which had been recognised in the cost of sales, of which approximately HK$17,453,000 had been recognised in the retail business.

As at 31 March 2013, the number of VIP customers of "Artini" was 117,935, representing an increase of 14.9% over last year; while the number of VIP customers of "Q'ggle" further increased by 0.8% to 47,795. The Group believed that loyal customers contributed a key portion of the Group's revenue. By analyzing the shopping habits of our VIP customers and thereby understanding their preferences, the Group has consistently developed new series of products and strategically organised promotional activities to raise brand awareness among its existing and potential customers.

Concurrent Design Manufacturing ("CDM") Business

During the Year, the Group maintained close cooperation with internationally renowned brands to concurrently design and manufacture their branded products, and ultimately export and distribute these products worldwide. Such internationally renowned brands include Marks & Spencer, Disney, Nine West, Nautica, Guess, Carolee and Tchibo.

During the Year, Europe, one of our principal regions of operations, faced challenging economic environments, resulting in a drop in their demand for imports, which consequently led to the unsatisfactory performance of the Group's CDM business.

During the Year, the export business was affected by the intense market competition in Hong Kong, the uncertain economic prospects in Europe, and the consequent drop in demand for imports. As a result, the Group's CDM business recorded a turnover of HK$146,736,000 (2012: HK$232,603,000), representing a 36.9% drop from the same period of last year and accounting for 76.7% of the total turnover.

The performance of CDM business in the second half of the reporting period was weaker than the first half of the year. It was driven by the decrease in the revenue during the second half of the year and the specific allowance for doubtful debts on trade receivables of approximately HK$5,828,000 had been recognised.

Prospects

As announced on 10 December 2012, Mr. Tse Hoi Chau has been appointed as Chairman of the Company. Under the leadership of a new management crew, the Group was committed to providing our customers with a brand new shopping experience through brand repositioning and the development of a corporate culture that emphasized "Variance, Innovation, Vitality and Learning". Aside from enhancing the sales efficiency of its present sales points, the Group is also seeking to establish new sales points at favorable locations in the PRC and Hong Kong with an aim to optimise its sales network.

Notwithstanding the global economic uncertainties, the Group remains prudently optimistic about the long-term economic prospects. The Group will continue to consolidate its market share and tap into new markets by way of actively expanding its CDM business, identifying new customers, as well as cooperating with large enterprises by designing and manufacturing fashionable accessories for their existing and target customers. In addition, the Group will enhance its marketing efforts, particularly in online promotion, in the hope that the brand awareness from its target consumers will be raised at a minimal cost. Ultimately, the Group will be able to further expand its market and maximise the returns.

Moreover, as the Group continues to expect stable economic growth in the PRC and Hong Kong, the Group is currently developing new products series to meet the growing consumption power in the PRC market and enrich its product portfolio and for this purpose, the Group has commissioned an international brand image consultancy and a leading marketing team. In addition, an exchange center located in the main office for designers is established. Talented local and overseas designers were also invited to join to create brand new product series in a bid to strengthen the Group's competitiveness and seize opportunities for business growth.

Cost cutting was another key mission of the Group. In order to lay the foundation for business development, the Group will devote efforts to enhance its cost structure. In addition, the Group will strive to minimize the level of inventories in order to strengthen our business performance.

Financial Review

Turnover

Turnover of the Group for the year ended 31 March 2013 amounted to HK$191,218,000, representing a decrease of 40.9% compared to the previous year.

CDM business

CDM business turnover recorded a year-on-year decrease of 36.9% to HK$146,736,000 during the year ended 31 March 2013, accounting for 76.7% of the Group's total turnover (2012: 71.9%). This decrease was mainly due to the intense market competition in Hong Kong. During the year, the Group lost one of its major customers in Hong Kong due to the fierce competition of the market. Revenue generated from this customer approximately HK$69,883,000, in the previous year.

Retail business

The retail business was one of the two major revenue generators for the year ended 31 March 2013, accounting for 23.3% of the Group's total turnover (2012: 28.1%). During the Year, turnover from our retail business decreased 51.0% to HK$44,482,000. This decline was mainly due to the decrease in the number of retail points, the weakened consumer sentiment caused by external economic uncertainties and the fierce market competition.

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 17.0%, 17.7%, 48.0% and 10.0% of the turnover respectively in 2013, compared to 23.5%, 10.6%, 30.3% and 29.4% in 2012.

Cost of sales

Cost of sales decrease from approximately HK$249,622,000 of last year to approximately HK$147,388,000 for the year ended 31 March 2013, representing an decrease of approximately HK$102,234,000. Write-down of inventories had grown significantly during the reporting period as the Group has recognised further write-down of inventories to net realisable value of approximately HK$18,695,000 for certain slow moving inventories.

Gross profit

The overall gross profit of the Group decreased from HK$73,689,000 in 2012 to HK$43,830,000 in 2013, representing a decrease of 40.5%. The gross profit margin increased slightly from approximately 22.8% to approximately 22.9%. The stable gross profit margin was resulted from our cost saving strategy which compensated the adverse impact of the decline in contribution from our retail business which has higher gross profit margin during the year.

Operating expenses

Operating expenses for the year ended 31 March 2013 accounted for 69.8% of the Group's total sales, compared with 65.1% 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$148,138,000 for the year ended 31 March 2012 to approximately HK$78,633,000 for the year ended 31 March 2013, representing a decrease of approximately HK$69,505,000. The reduction in selling and distribution costs was mainly attributable to the decrease in the Group's rental, staff costs and depreciation as a consequence of decrease in retail points with unsatisfactory performance.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs including Directors and executives. These expenses decreased from approximately HK$62,184,000 for the year ended 31 March 2012 to approximately HK$54,883,000 for the year ended 31 March 2013, representing a decrease of approximately HK$7,301,000.

During the year ended 31 March 2013, other operating expenses decreased to HK$9,980,000 (2012: HK$20,635,000) mainly due to the decrease in the impairment loss on intangible assets and goodwill from HK$13,739,000 in 2012 to HK$593,000 in 2013.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was HK$109,008,000 (2012: HK$143,342,000) for the year ended 31 March 2013.

Financial guarantees issued

The Company has issued guarantee to a bank in respect of banking facilities granted to certain wholly-owned subsidiaries. Certain 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 ended 31 March 2013, the income tax expenses of the Group amounted to HK$10,129,000 (2012: tax credit of HK$4,139,000). The change was mainly due to the write-down of deferred tax assets on temporary differences previously recognised of HK$7,729,000 after considering the continuous loss from the retailing and distribution segment.

Loss per share

There was a decrease in loss per share from HK$0.116 for the year ended 31 March 2012 to loss per share of HK$0.088 for the year ended 31 March 2013.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2013 (2012: 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 ended 31 March 2013, the Group recorded net exchange gain of approximately HK$456,000 (2012: exchange loss of HK$428,000).

Significant Investments and Acquisitions

During the year ended 31 March 2013, 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 ended 31 March 2013, the impairment loss on trade and other receivables amounted to approximately HK$431,000 (2012: HK$5,103,000).

Impairment loss on intangible assets and goodwill

For the year ended 31 March 2013, the impairment loss on intangible assets and goodwill amounted to approximately HK$593,000 (2012: HK$13,739,000).

Allowance for doubtful debts on trade receivables

At 31 March 2013, the Group made specific allowance for doubtful debts on trade receivables with amount HK$5,828,000 (2012: HK$3,150,000). The individually impaired receivables related to a customer that was 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 this receivable.

Employees and emoluments

As at 31 March 2013, the Group had approximately 1,000 employees (2012: 1,690). 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 ended 31 March 2013, 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 2013, the bank loans of the Group amounted to HK$20,708,000, which were denominated in Renminbi, were secured by pledging of a property with carrying value of HK$13,272,000 (2012: HK$22,304,000) and were repayable within five years after the draw-down dates. As the loans contain a clause in its terms 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 did not expect that the bank would exercise their rights to demand repayment.

Apart from these bank loans, 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$3,949,000 (2012: HK$4,091,000) and cross corporate guarantee within the Group. At the end of the reporting period, the general banking facilities available to the Group amounted to HK$219,000 (2012: HK$503,000), which were utilised by the Group to the extent of HK$179,000 (2012: HK$463,000).

As at 31 March 2013, the Group's obligations under finance leases were amounted to HK$667,000.

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 30.7% as at 31 March 2013 (2012: 23.7%). The Group had time deposits and cash balances as at 31 March 2013 amounting to HK$52,456,000 (2012: HK$96,163,000).

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 2013 (2012: 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 Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, the Company has complied with all the provisions in the CG Code during the year ended 31 March 2013 save as the deviations described below.

(1) Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 April 2012 to 13 August 2012, the roles of chairman and chief executive officer of the Company were performed by Mr. Tse Chiu Kwan. Mr. Tse Chiu Kwan 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 chief executive in Mr. Tse Chiu Kwan 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 of the Company. From 14 August 2012, Ms. Yip Ying Kam is confirmed as the chief executive of the Company while Mr. Tse Chiu Kwan is re-designated as non-executive chairman and non-executive director of the Company, which allows a segregation of the roles of chairman and chief executive of the Company in accordance with the CG Code.

(2) Code provision E.1.2 of the CG Code provides, inter alia, that the chairman of the board should attend the annual general meeting. The chairman of the Board was absent from the last annual general meeting of the Company held on 10 September 2012 (the "AGM") due to health conditions. However, the chairmen of the audit, remuneration and nomination committees of the Company attended the AGM. The Company's external auditor also attended the AGM to ensure questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence could be answered when necessary.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. The Company was not in compliance with Rule 3.10(1) since the resignation of Mr. Fan Chung Yue, William as an independent non-executive director of the Company, members of the audit and nomination committees of the Company and chairman of the remuneration committee of the Company, with effect from 8 May 2012 after which date the number of independent non-executive directors of the Company was reduced to two. In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcements containing the relevant details and reasons for the Company's failure to meet the requirements. On 29 June 2012, the Company appointed Mr. Chan Shu Hung, Joseph as an independent non-executive director of the Company and the requirement under the Listing Rules has been complied with since then.

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 ended 31 March 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its shares during the year ended 31 March 2013 and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 March 2013.

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. As at the date of this announcement, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawerence (Chairman), Mr. Lau Yiu Kit and Mr. Chan Shu Hung, Joseph. 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 ended 31 March 2013 and the interim financial report for the six months ended 30 September 2012.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of the Group's annual results for the year ended 31 March 2013 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 2013 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 Hoi Chau
Chairman

Hong Kong, 21 June 2013

As at the date of this announcement, the executive Directors are Mr. Tse Hoi Chau (Chairman) and Ms. Yip Ying Kam (Vice-chairman); and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Chan Shu Hung, Joseph.