ARTINI
雅天妮

ARTINI CHINA CO. LTD. 雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 789

Annual Report 2014-15


ARTINI
雅天妮
OUR BELIEF
Excellence, Passionate,
Exceptional Originality,
Exceeding Expectation.
www.artini-china.com

“ARTINI WOMEN”

are strong, bold, hip and cool.
They are powerful, loving, charming and chic.

Being successful means recognizing who
our customers are and making potential customers
recognize who they could be.


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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Hoi Chau *(Chairman & Chief Executive)*
Mr. Lin Shao Hua

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui *(appointed on 1 October 2014)*

AUDIT COMMITTEE

Mr. Lau Fai Lawrence *(Chairman)*
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui *(appointed on 1 October 2014)*

REMUNERATION COMMITTEE

Mr. Zeng Zhaohui *(Chairman)*
(appointed on 1 October 2014)
Mr. Tse Hoi Chau
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

NOMINATION COMMITTEE

Mr. Lau Fai Lawrence *(Chairman)*
Mr. Tse Hoi Chau
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui *(appointed on 1 October 2014)*

COMPANY SECRETARY

Mr. Leung Ka Shing

AUTHORISED REPRESENTATIVES

Mr. Tse Hoi Chau *(appointed on 13 April 2014)*
Mr. Leung Ka Shing *(appointed on 2 February 2015)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite No. 10, 8/F.
Tower 3, China Hong Kong City
China Ferry Terminal
33 Canton Road, Kowloon
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
The Hongkong and Shanghai Banking Corporation
Limited

Corporate Information

LEGAL ADVISERS

As to Hong Kong law

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

Chiu & Partners
40/F., Jardine House
1 Connaught Place
Central, Hong Kong

As to Bermuda law

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

AUDITOR

ZHONGLEI (HK) CPA Company Limited
Suites 313–316, 3/F.
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Principal share registrar and transfer office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place
33 Lockhart Road
Wanchai, Hong Kong

LISTING EXCHANGE INFORMATION

Place of Listing

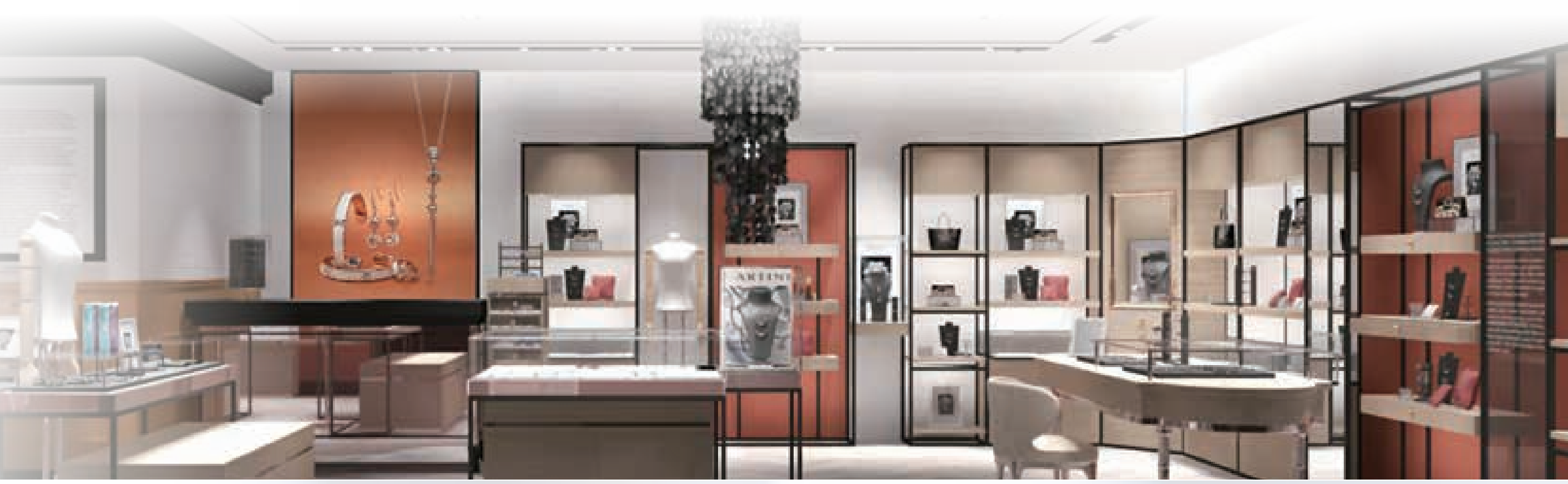
The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")

Stock Code

789

COMPANY'S WEBSITE

www.artini-china.com



Corporate Profile

Artini China Co. Ltd. (the "Company" or "Artini") is a leading retail chain operator and trading of fashion accessories and gift and premium items. Started as an export and trading company of fashion accessories 20 years ago, the Company and its subsidiaries (the "Group") have worked hand-in-hand with internationally acclaimed brands from design to delivery, and boasted extensive experience in the fashion accessories industry.

Our brand, Artini, focused the gifts and premiums market are distributed in the PRC and Hong Kong through retail stores, and online platforms. Before disposing the TCK Company Limited and its subsidiary, (Referred to below as "TCK") the (manufacturing arm of the Group), the Group is selling merchandise while implementing the concurrent design manufacturing ("CDM") model to develop, design, and manufacture products for the Group's brand and world-renowned brands including Marks & Spencer, Disney and Tchibo, distributing to the PRC, Europe and America etc. After disposing of TCK in December 2014, the Group is engaged in developing, design and export of fashion, accessories and gifts.

As at 31 March 2015, the Group's retail network comprised about 5 retail points across 5 cities in the PRC and Hong Kong, with a strong presence in first-tier cities such as Guangzhou and Shenzhen.

As at the date of this report, our Group's business was structured as follows:

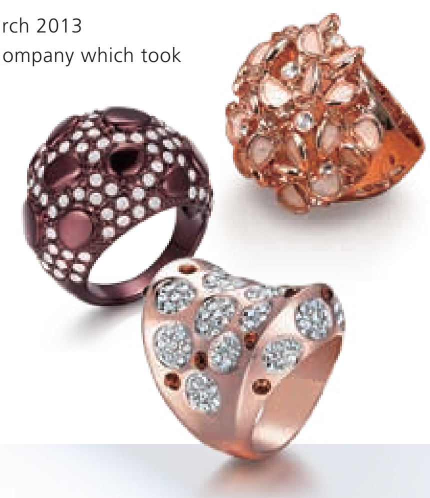
Five-Year Financial Highlights

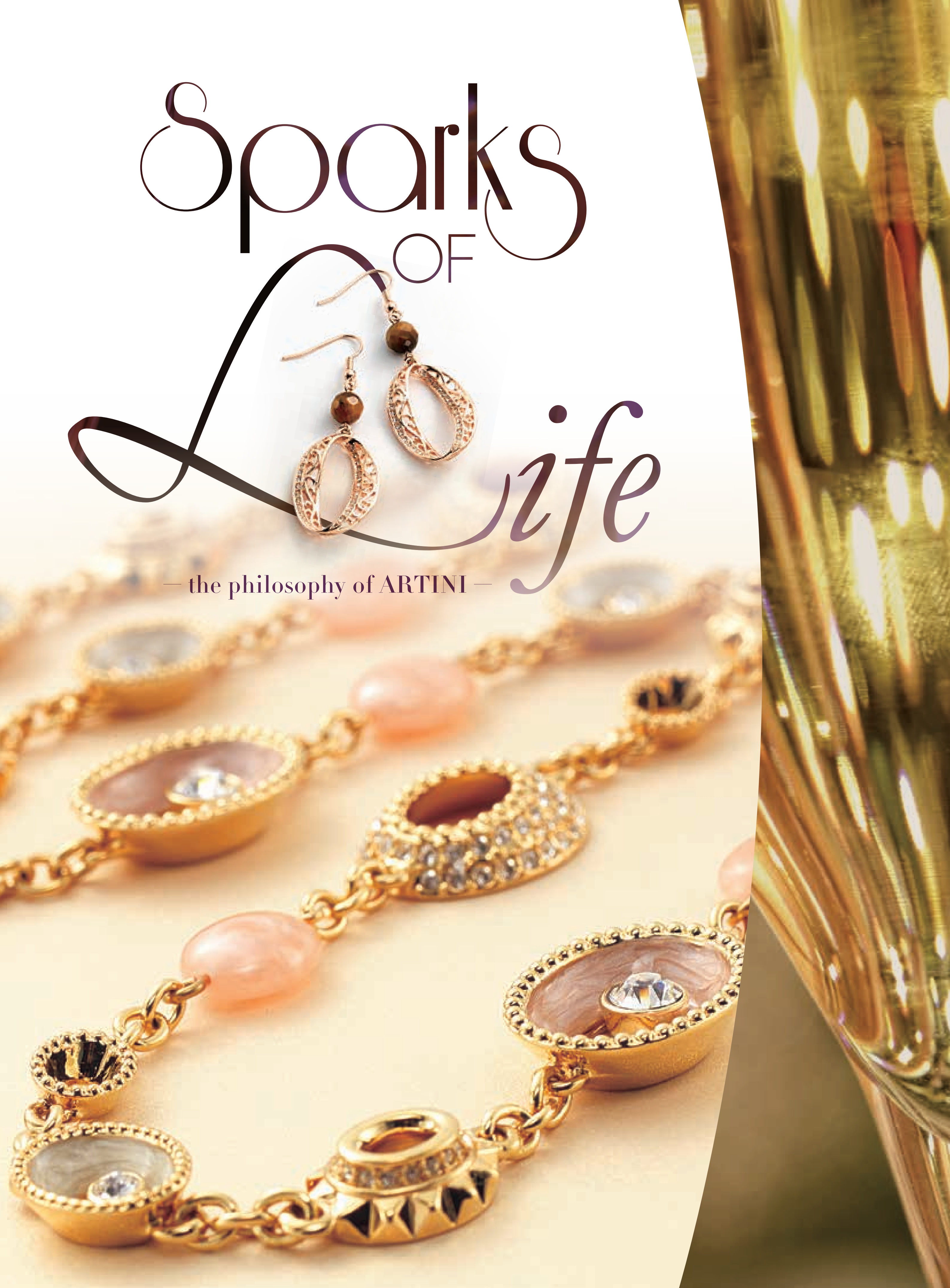
(All amounts in HK$ thousands unless otherwise stated)

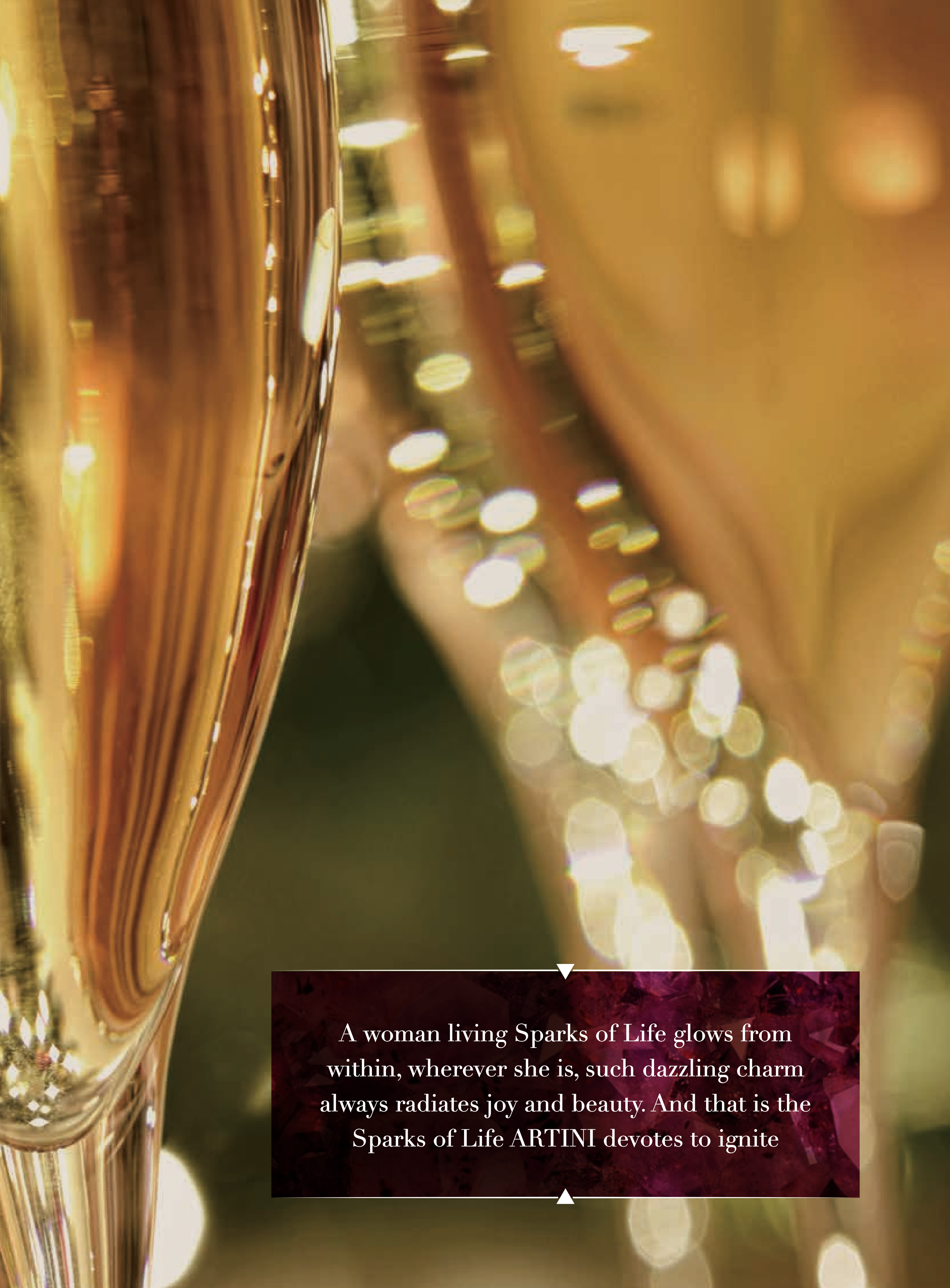
	For the year ended 31 March				
	2015	2014	2013	2012	2011
Turnover	**77,707**	173,236	191,218	323,311	362,921
Gross (loss) profit	**(18,688)**	18,215	43,830	73,689	145,056
Loss from operations (Note 1 below)	**(88,824)**	(104,232)	(97,269)	(146,728)	(170,106)
Loss for the year	**(90,990)**	(108,320)	(109,028)	(144,291)	(176,717)
Non-current assets	**10,571**	51,161	78,834	104,452	133,349
Current assets	**145,491**	74,937	140,352	236,406	349,555
Current liabilities	**25,953**	66,547	66,622	79,998	82,861
Net current assets	**119,538**	8,390	73,730	156,408	266,694
Total assets less current liabilities	**130,109**	59,551	152,564	260,860	400,043
Total equity	**130,109**	59,403	151,851	260,172	394,013
Gross (loss) profit margin (%)	**(24.1)**	10.5	22.9	22.8	40.0
Net loss margin (%)	**(117.1)**	(62.5)	(57.0)	(44.6)	(48.7)
Basic and diluted loss per share (HK$) (Note 2 below)	**(0.080)**	(0.175)	(0.175)	(0.232)	(0.286)
Current ratio (X)	**5.61**	1.13	2.1	3.0	4.2
Return on equity (%)	**(69.9)**	(182.3)	(71.8)	(55.5)	(44.9)
Return on assets (%)	**(58.3)**	(85.9)	(49.7)	(42.3)	(36.6)

Note 1: The amount represented loss before tax and finance costs.

Note 2: The weighted average number of ordinary shares for the year ended 31 March 2014, 31 March 2013 31 March 2012 and 31 March 2011 has been restated due to a share consolidation of the Company which took place during the year ended 31 March 2015.




Sparks
OF
Life
— the philosophy of ARTINI —



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

Chairman's Statement

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

TSE HOI CHAU | Chairman

DEAR SHAREHOLDERS,

On behalf of Artini China Co. Ltd. and its subsidiaries, I hereby present the annual report on the consolidated results of the Group for the year ended 31 March 2015 to all shareholders of the Company (the "Shareholders").

Same as the trends from the previous years, it was not a comfort year for the Company. In the view of increasingly keen competition and unstable economy during the year, the Company was exposed various new pressures and challenges. To combat with the upcoming pressures and challenges, our management continuously evaluated the strengths and weaknesses of the Company. The management would identify strengths in order to reach higher achievement; for the weaknesses, the management would try the best to overcome such weaknesses by means of accommodating changes in order to stay competitive in the raging market.

The management firmly believed that the enterprise needs the changes in order to overcome the weaknesses of the Company. Hence, we tried the best to make changes of the Company. During the year, one such major change was to dispose the manufacturing subsidiaries of the Group to minimize losses arising from the continuous increase in the manufacturing cost in Guangdong province. We believed that it would afford more flexibility for the Company to perform cost control after disposing the manufacturing subsidiaries as the factory incurred various fixed costs which were unavoidable for the operation. With such flexibilities, it would be more competitive for the Company to overcome challenges and search for the new opportunities for the Company.

Chairman's Statement

Changes were also made in our retailing business. Since the establishment of our first retail shop in 2003,"Artini" has acted as the trendsetter over the decade and aspired to present our customers with fashionable accessories that can show their personality. Following the change in the fashion trend, we adjusted some types, design and styles of our products to make "Artini" more fresh and energetic.

Change was not only applied in the products but also in the operational matters. It was not a easy task to operate the retailing shops these days due to fast change in the business environment and customers' demand for the products. To cope with such challenges, changes in operational matters were essential. Undeniably, implementing these changes is a challenging process for our Company. However, without such process, the Company cannot survive under the existing market, not to mention growth in the future. Although this was a difficult year, such changes made our company to be more flexible and energetic.

With the work hard of our team, we believe the changes will be beneficial for our companies. Changes are the initial steps for our company to succeed. Work together to create the brightest prospect!

TSE HOI CHAU

Chairman

Hong Kong, 19 June 2015

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2015 (the "Year"), the Group recorded a total turnover of approximately HK$77,707,000 (2014: approximately HK$173,236,000), representing a decrease of approximately 55.1% as compared with last year. The decrease was mainly due to the intense market competition in Hong Kong and the Mainland China, and the sluggish performance of the European economy. Gross loss was approximately HK$18,688,000 while the gross profits were approximately HK$18,215,000 in 2014. During the Year, loss attributable to the owners of the Company was approximately HK$90,990,000 (2014: approximately HK$108,299,000). Basic loss per share was approximately HK$0.080 (2014: approximately HK$0.175 (restated) to take into account the effect of share consolidation which took place during the Year).

RETAIL BUSINESS

Our retailing sales in PRC decreased from approximately HK$39,180,000 in 2014 to approximately HK$5,524,000 in 2015, due to strategic change in our new retailing business plan. As at 31 March 2015, the Group had a total of approximately 5 retail points (2014: approximately 15 retail points) throughout the PRC and Hong Kong covering 5 cities (2014: 5 cities). During the Year, the retail business recorded a turnover of approximately HK$8,112,000 (2014: approximately HK$49,049,000), accounting for approximately 10.4% of the Group's total turnover and representing a decrease of approximately 83.5% as compared with last year.

During the year, the Company relocated its shops, including closure of shops in high-end shopping malls with significant losses, and looking for shops in second-line malls in the cities, with lower rental expenses.

As at 31 March 2015, the number of VIP customers of "Artini" was approximately 140,000 (2014: approximately 132,000), representing an increase of approximately 6% over last year. 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

Before the disposal of the manufacturing subsidiaries, 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, Vivienne Westwood, Debenhams and Tchibo.

Due to the keen competition from manufacturers in Asia Pacific regions and continuously weak economic in Europe market, one of principal markets of our Group, the performance of CDM business are unsatisfactory.

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 approximately HK$69,595,000 (2014: approximately HK$124,187,000), representing an approximately 44.0% drop, compared with those in year ended 31 March 2014.

After disposal of the manufacturing subsidiaries, due to difficulties in fulfilling the requirements of some major customers, the turnover of the export decreased significantly. As a result, the performance of our export business worsened in the second half of the Year.


Sparks
of TREND
— the Mission of ARTINI —

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Whether it be whimsical, sophisticated, classic or trendy, the ARTINI characters shine through each piece of jewellery. Sparks of Life are also presented in a myriad of ways in each season, bestowing the modish women the joy of life in every moment.

Management Discussion and Analysis

PROSPECTS

In the past Year, the retail market remained sluggish as policies in the PRC exerted significant impact on the luxury goods market, resulting in a mounting challenge for the Group. Underperforming stores were strategically closed down and the expansion pace for physical stores slowed down so as to reduce losses. Human resources and production resources were dedicated to existing stores to focus on shaping product style and improving product craftsmanship. The Group revisited the "ARTINI" style and highlighted its strengths in jewelry craftsmanship with almost 30 years of experience. Meanwhile, product management was refined to establish customer-oriented procedures with a view to controlling inventories and reducing capital utilized in production. Through optimised resource allocation and strategic cooperation, production costs were lowered with stream-lined processes, resulting in a smoother and more efficient logistic and supply system. A profit assessment system was implemented for our staff to strive for greater economic benefits for the Company.

In respect of marketing strategies, the Group continued to enhance the establishment and development of its e-commerce platform so as to devise new business models targeting Internet users. It will be crucial for the Group to achieve a business model breakthrough and strength its corporate image in the future.

It is undeniable that the profitability of the retail business has been slashed in light of ever-rising costs and adverse market sentiments. The Group will also prudently consider exploring new business as a new profit growth driver, with a view to ensuring a long-lasting and stable development for the Group as well as boosting values for the shareholders of the Company.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 March 2015 amounted to approximately HK$77,707,000, representing a decrease of approximately 55.1% compared to the previous year.

CDM business

CDM business turnover recorded a year-on-year decrease of approximately 44.0% to approximately HK$69,595,000 during the year, accounting for approximately 89.6% of the Group's total turnover (2014: approximately 71.7%). This decrease was mainly due to the intense market competition from other manufacturers, weak demand in Europe market and sales of the manufacturing arm of the group during the year.

Retail business

The retail business was one of the two major revenue generators for the year ended 31 March 2015, accounting for approximately 10.4% of the Group's total turnover (2014: approximately 28.3%). During the Year, turnover from our retail business decreased by approximately 83.5% to approximately HK$8,112,000.

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the American, the European, and Hong Kong markets, which accounted for 12.2%, 11.4%, 62.9% and 8.2% of the turnover respectively in 2015, compared to 24.4%, 18.0%, 41.9% and 9.9% in 2014.

Cost of sales

Cost of sales decreased from approximately HK$155,021,000 of last year to approximately HK$96,395,000 for the year ended 31 March 2015, representing a decrease of approximately 37.8% mainly due to the decrease in the size of operation. However, other than the effects on the size of operation, the average cost of sales per unit increased due to significant inflation in general price level and continuous increase in labour cost in Guangdong Province, where our factory was located.

Gross profit/loss

We incurred gross loss of approximately HK$18,688,000 during the Year while the gross profit of approximately HK$18,215,000 in 2014. The gross loss was mainly resulted from the continuous increase in the manufacturing cost in Guangdong Province. Meanwhile, due to the keen competition from manufacturers in the Asia Pacific region, it is difficult to raise the selling price to offset the increase in manufacturing cost.

Operating expenses

Operating expenses for the year ended 31 March 2015 accounted for approximately 177.2% of the Group's total sales, compared with 62.9% of last year. They mainly comprised selling and distribution costs of approximately HK$97,796,000 as well as administrative expense of approximately HK$39,919,000.

Management Discussion and Analysis

Selling and distribution costs increased from approximately HK$30,589,000 for the year ended 31 March 2014 to approximately HK$97,796,000 for the year ended 31 March 2015, representing an increase of approximately HK$67,207,000. The increase in selling and distribution costs was mainly promotion and advertising of our brand during the year of 2015. The promotional expenses comprise of online and offline advertising on retailing business increased from approximately HK$4,732,000 in 2014 to approximately HK$77,849,000 in 2015.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs including Directors and executives. These expenses decreased from approximately HK$78,305,000 for the year ended 31 March 2014 to approximately HK$39,919,000 for the year ended 31 March 2015, representing a decrease of approximately HK$38,386,000 due to tightened cost control on "back office" functions in the group.

Gain (loss) on disposal of property, plant and equipment

During the year, the Group disposed certain properties, resulting in the net gains on disposal of property, plant and equipment approximately of HK$42,897,000 while there was losses on disposal of approximately HK$279,000.

Gains on disposals of subsidiaries

During the year, the Group disposed certain subsidiaries, including TCK Company Limited and its subsidiary. The total net gains on disposals of all subsidiaries during the Year were approximately HK$39,312,000 (2014: HK$474,000).

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately HK$90,990,000 (2014: approximately HK$108,299,000) for the year ended 31 March 2015.

Income tax

During the year, the income tax expense of the Group amounted to approximately HK$18,000 (2014: approximately HK$2,742,000). Such decrease was mainly resulted from over-provision of income tax in prior years.

Loss per share

The loss per share decreased from approximately HK$0.175 (restated) for the year ended 31 March 2014 to approximately HK$0.080 for the year ended 31 March 2015.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2015 (2014: Nil).

Foreign exchange exposure

The major 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

Management Discussion and Analysis

year, the exchange rate of Renminbi to Hong Kong dollars remained relatively stable. 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 losses of approximately HK$23,000 (2014: exchange gain of approximately HK$982,000).

Significant Investments and Acquisitions

During the year, the Group did not have any significant investments or acquisitions 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.

Significant Disposal of Manufacturing Subsidiaries

During the year, the Group disposed of TCK Company Limited and its wholly-owned WFOE, at a consideration of approximately HK$16,257,000, in order to minimize the losses arising from the manufacturing operation as a result of the continuous increase in manufacturing cost in Guangdong Province.

Impairment loss on intangible assets

For the year ended 31 March 2015, the impairment loss on intangible assets was nil (2014: HK$1,247,000).

Impairment loss on trade and other receivables

At 31 March 2015, the Group made specific allowance for doubtful debts on trade receivables with amount of approximately HK$7,427,000 (2014: approximately HK$3,908,000). These 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 by that customer.

Employees and emoluments

As at 31 March 2015, the Group had approximately 50 employees (2014: approximately 560). 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 its own working capital.

Meanwhile, the Group has also obtained general banking facilities which were unsecured. At the end of the reporting period, the general banking facilities available to the Group amounted to approximately HK$754,000 (2014: approximately HK$933,000), the Group did not have any outstanding borrowing (2014: approximately HK$26,350,000).

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 approximately 16.6% as at 31 March 2015 (2014: approximately 52.9%). The Group had time deposits and cash balances as at 31 March 2015 amounting to approximately HK$122,822,000 (2014: approximately HK$11,717,000).

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 2015 (2014: 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 of Hong Kong Limited (the "Listing Rules"). Save as disclosed in the Corporate Governance Report below, the Company has complied with all the provisions in the CG Code during the year ended 31 March 2015.

Sparks of JOY

— the Mission of ARTINI —

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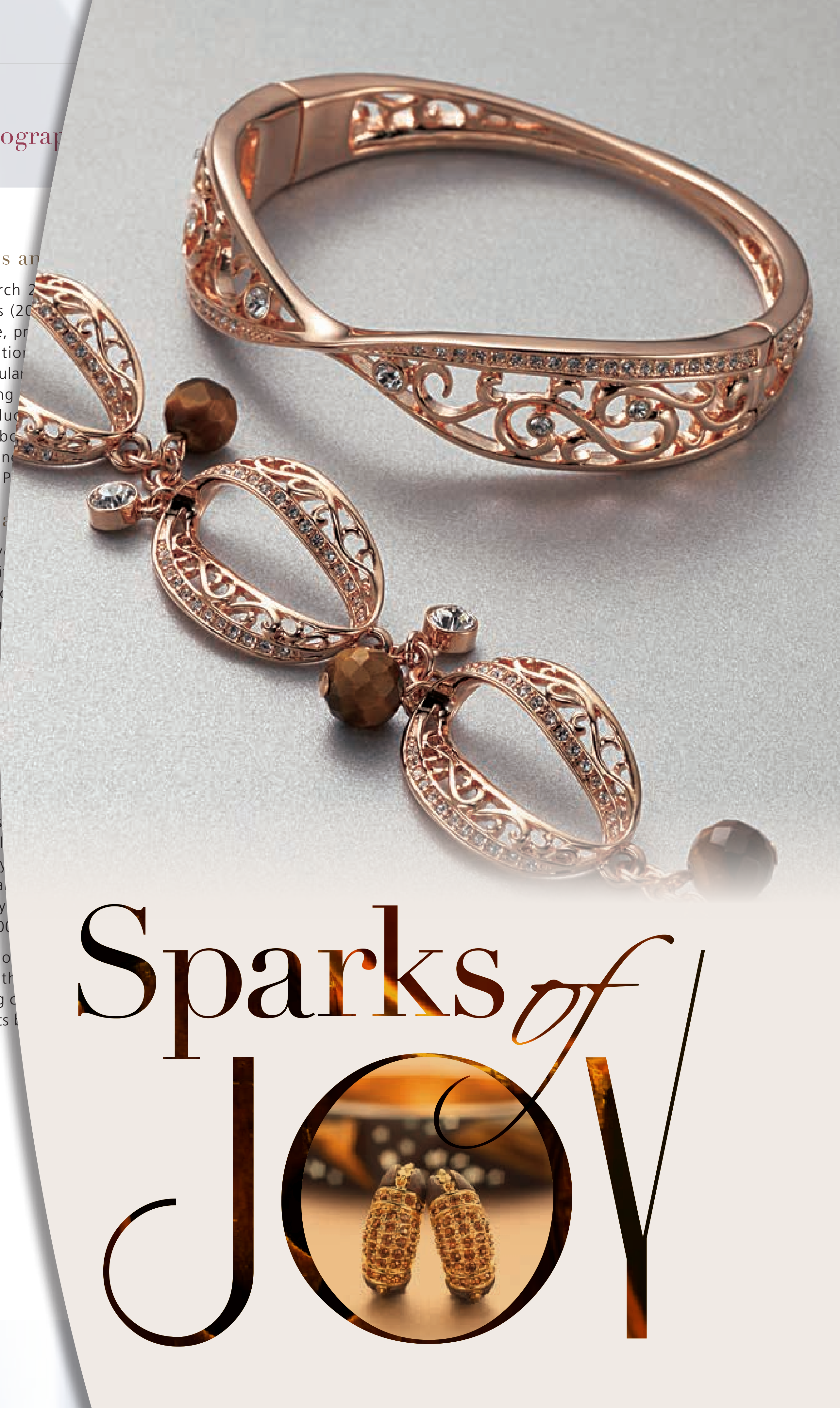


To bring joy and delight
to customers by the intricacies,
details and creatvity of ARTINI pieces.

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. TSE Hoi Chau, aged 49, was appointed as the Chairman, an executive Director and a member of the remuneration committee and the nomination committee of the Company on 1 December 2010 and was further appointed as chief executive of the Company on 21 June 2013. He is also one of the authorized representatives of the Company under Rule 3.05 of the Listing Rules. He possesses more than 20 years' experience in the fashion ornament and jewelry wholesale industry. He also has experience in property investment, mineral exploration and mineral trade and sales. He is the executive chairman of the China Jewelry Association Fashion Ornament Chapter, a member of the Standing Committee of the People's Political Consultative Conference of Shanwei City, Guangdong Province, a committee member of the People's Political Consultative Conference of Liwan District, Guangzhou City, Guangdong Province, the deputy-chairman of the Gems & Jewelry Trade Association of China, the deputy-chairman of the Confederation of Chinese Commerce and Industry Gift-industry Chamber of Commerce, and the deputy-chairman of the Guangdong Chamber of Private Enterprise. Mr. Tse is the sole member of Walifax Investments Limited, a cotrolling Shareholder of the Company which, as at the date of this report, (personally and via corporations controlled by him) interests 1,100,091,988 shares of the Company, representing approximately 44.45% of the issued share capital of the Company. Mr. Tse had also 26,671,400 share options granted to him by the Company on 28 March 2014 and 9 July 2015 under the Share Option Scheme. Mr. Tse is the brother-in-law of Mr. Lin Shao Hua, an executive Director.

Mr. LIN Shao Hua, aged 55, was appointed as an executive Director on 28 June 2013. He has 23 years of experience in factory management and product development. He has extensive experience in managing the manufacturing of Jewellery. Since 1991, he has been responsible for the management of Artist Empire (Hai Feng) Jewellery Mfy. Limited, a former subsidiary of the Company. He is currently a member of the Hai Feng County Committee of the Chinese People's Political Consultative Conference (海豐縣政協委員). Mr. Lin was an executive director of the Company from 17 July 2009 to 31 October 2011. Saved as disclosed, Mr. Lin had not held any other positions in the Company and its subsidiaries and had not held any other directorships in any listed public companies in Hong Kong or overseas or other major appointments and qualifications in the last three years. Mr. Lin is the brother-in-law of Mr. Tse Hoi Chau, the chairman of the Company. As at the date of this report, Mr. Lin was interested in 26,671,400 share options of the Company granted to him by the Company on 28 March 2014 and 9 July 2015 under the Share Option Scheme.

Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 43, was appointed as independent non-executive Director on 23 April 2008. He is also the chairman of the audit committee and the nomination committee of the Company and a member of the remuneration committee of the Company. Mr. Lau has extensive experience in accounting, corporate finance and auditing. He is a practising certified public accountant in Hong Kong and is currently the Company Secretary of BBMG Corporation (Stock code: 2009) which is listed on the main board of the Stock Exchange. Before joining BBMG Corporation, he was the Group Financial Controller of Founder Holdings Limited and Peking University Resources (Holdings) Company Limited (previously known as EC-Founder (Holdings) Company Limited, both of which are listed on the main board of the Stock Exchange. Mr. Lau has previously worked in Price Waterhouse Company Limited (now known as PricewaterhouseCoopers) as an accountant from 1994 to 1998. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in Business Administration and obtained a Master of Corporate Finance degree from the Hong Kong Polytechnic University. Mr. Lau has also been an executive director of China For You Group Company Limited (previously known as China Packaging Group Company Limited) (Stock code: 572) since January 2014 and an independent non-executive director of Titan Petrochemicals Group Limited (Stock code: 1192) since March 2014, both of which are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

Mr. LAU Yiu Kit, aged 55, was appointed as independent non-executive Director on 1 December 2010. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Lau is the sole proprietor and founder of Albert Y.K. Lau & Co., Certified Public Accountants. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong. Mr. Lau is an Independent Non-Executive Director of Titan Petrochemicals Group Limited (Stock code: 1192) which is listed on the main broad of the Stock Exchange.

Mr. ZENG Zhaohui, aged 44, was appointed as independent non-executive Directors on 1 October 2014. He is also the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company. He is a practicing lawyer in China, and has practiced for 20 years since 1994. He graduated from Zhongshan University. He worked at the People's Court of Shanwei City of China in1991, qualified as a lawyer in 1992, and has practiced as a certified lawyer since 1994. Mr. Zeng was a member of the Committee of the People's Political Consultative Conference of Shanwei City, the Chief Member of the Real Estate Legal Profession Committee of the Guangdong Lawyers Association and a torchbearer of the 16th Asian Games of Guangzhou. He is currently the Chief Lawyer of Guangdong Right Word Law Firm. Saved as disclosed above, Mr. Zeng had not held any other positions with the Company and its subsidiaries and had not held any directorships in any public company the securities of which are listed in Hong Kong or overseas in the three years preceding the date of this report.

COMPANY SECRETARY

Mr. LEUNG Ka Shing was appointed as the Company Secretary of the Company and one of the authorized representatives of the Company under Rule 3.05 of the Listing Rules on 2 February 2015. He is a member of Hong Kong institution of Public Accountant of and joins the Company as a Group Account Manager on 2014. Mr. Leung is experienced in accounting, auditing and corporate governance related work.

Report of the Directors

The Directors submit herewith their report together with the audited financial statements of the Company for the year ended 31 March 2015 (the "Financial Statements").

PRINCIPAL PLACE OF BUSINESS

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong and its principal place of business is Suite No. 10, 8/F., Tower 3, China Hong Kong City China Ferry Terminal, 33 Canton Road, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are design, retail and distribution and CDM of fashion accessories. The principal activities and other particulars of the principal subsidiaries of the Company are set out in note 36 to the Financial Statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year ended 31 March 2015 are set out in note 7 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 50.9% (2014: 30.7%) of the total sales. The top five suppliers accounted for approximately 28.2% (2014: 23.0%) of the total purchases for the year ended 31 March 2015. In addition, the Group's largest customer accounted for approximately 34.2% (2014: 15.1%) of the total sales and the Group's largest supplier accounted for approximately 13.2% (2014: 14.0%) of the total purchases for the year ended 31 March 2015.

At no time during the year ended 31 March 2014 have the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

RELATED PARTY TRANSACTIONS

During the year, the Group disposed of TCK Company Limited and its subsidiary to an entity owned by a Director. Such transaction constituted connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of the transaction were set out in the announcement of the Company dated on 9 October 2014 and the Company's circular dated on 30 October 2014. Details of other material related party transactions which did not constitute discloseable non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules are disclosed in note 32 of the financial statements.

FINANCIAL STATEMENTS

The loss of the Group and the state of the Company's and the Group's affairs as at 31 March 2015 are set out in the Financial Statements on pages 43 to 108 respectively.

TRANSFER TO RESERVES

Loss attributable to owners of the Company, of approximately HK$90,990,000 (2014: HK$108,299,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The Directors do not recommend any final dividend for the year ended 31 March 2015 (2014: HK$Nil).

CHARITABLE DONATIONS

The Group did not have charitable donation during the year ended 31 March 2015 (2014: HK$Nil).

FIXED ASSETS

Details of movements in fixed assets during the year ended 31 March 2015 (including disposal of three properties by the Group as announced by the Company on 14 October 2014) are set out in note 16 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2015 are set out in note 27 to the Financial Statements.

DIRECTORS

The Directors during the year ended 31 March 2015 and up to the date of this report are:

Executive Directors

Mr. Tse Hoi Chau
Mr. Lin Shao Hua
Ms. Yip Ying Kam (resigned on 13 April 2014)

Non-executive Director

Ms. He Yun (appointed on 22 December 2014 and resigned on 23 April 2015)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui (appointed on 1 October 2014)
Mr. Li Youhuan (resigned on 22 August 2014)

Pursuant to Bye-law 86(2) of the bye-laws of the Company (the "Bye-laws"), any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the next Annual General Meeting ("AGM") and shall then be eligible for re-election.

Pursuant to Bye-law 87 at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall be determined by lot, unless they otherwise agree between themselves. The retiring Directors shall be eligible for re-election.

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on pages 34.

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

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

As at 31 March 2015, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of Directors	Company in which interests are disclosed	Capacity	Number of issued ordinary shares held	Number of shares subject to options granted	Percentage of the issued share capital as at 31 March 2015
Tse Hoi Chau	The Company	Corporate interest	1,085,267,888 *(Note 1)*	–	43.86%
		Beneficial interest	14,824,000	6,671,400	0.87%
Lin Shao Hua		Beneficial interest	–	6,671,400	0.27%

Notes:

1. These shares are held by Walifax Investments Limited, which is wholly and beneficially owned by Mr. Tse Hoi Chau.
2. On 9 July 2015, the Company granted 20,000,000 share options to Mr. Tse Hoi Chau and Mr. Lin Shao Hua respectively, representing 0.81% of the issued share capital.
3. These options were granted by the Company under the share option scheme adopted by the Company on 23 April 2008 (the "Share Option Scheme").

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year ended 31 March 2015 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (with the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 23 April 2008. The Pre-IPO Share Option Scheme is no longer in effect and all grants under that scheme have either been exercised or have lapsed. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing value of the Company and the shares for the benefit of the Company and the Shareholders as a whole.

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

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

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

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

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

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

(iii) the nominal value of the shares.

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue on the date on which the Company's shares were first listed on the Stock Exchange ("Listing Date") (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval. At the Company's annual general meeting held on 15 September 2014, the Scheme Mandate Limit was renewed and, taking into account the effect of a capital reorganisation of the Company which took place in November 2014, the total number of shares which may be issued upon exercise of all options under the Share Option Scheme (not taking into account any share options already granted prior to the date of shareholders' approval of the renewal of the Scheme Mandate Limit) and any other share option scheme shall not exceed 61,866,016 shares, representing approximately 2.5% of the total issued share capital of the Company as of the date of this report. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.

Report of the Directors

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

Details of the share options movement during the year ended 31 March 2015 under the Share Option Scheme are as follows:

		Number of share options								
Name of the category	Date of grant of share options	Outstanding at 01.04.2014	Adjustment due to share consolidation and open offer	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at the date 31.03.2015	Validity period of the share option	Exercise price (HK$)
Directors										
Tse Hoi Chau	28.03.2014	12,000,000	5,328,600	–	–	–	–	6,671,400	28.03.2014–27.03.2019	0.4709
Lin Shao Hua	28.03.2014	12,000,000	5,328,600	–	–	–	–	6,671,400	28.03.2014–27.03.2019	0.4709
Yip Ying Kam	28.03.2014	12,000,000	–	–	–	12,000,000	–	–	28.03.2014–27.03.2019	0.4709
Employees										
In aggregate	28.03.2014	12,000,000	5,328,600	–	–	–	–	6,671,400	28.03.2014–27.03.2019	0.4709
Other participants										
In aggregate	28.03.2014	60,000,000	26,643,000	–	–	–	–	33,357,000	28.03.2014–27.03.2019	0.4709
In aggregate	28.03.2014	12,000,000	5,328,600	–	–	–	–	6,671,400	28.03.2014–27.03.2019	0.4709
Total		120,000,000	47,957,400	–	–	12,000,000	–	60,042,600		

Note 1: On 9 July 2015, the Company granted 20,000,000 share options to Mr. Tse Hoi Chau, 20,000,000 share options to Mr. Lin Shao Hua, 1,600,000 share options, in aggregate, to employees and 20,200,000 share options, in aggregate, to consultants with exercise price of HK$0.1470 for the validity period from 9 July 2015 to 8 July 2020. The closing price for the shares on 9 July 2015, being the date immediately before the share options were granted, was HK$0.1360.

Note 2: Number of shares stated in table above (except Yip Ying Kam who resigned on 13 April 2014) are restated taking into adjustments as a result of an open offer made by the Company during the year. Please refer to the Company's announcement dated 18 December 2014 for details of the adjustments.

The closing price for the shares on 28 March 2014, being the date immediately before the share options were granted, was HK$0.2440.

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

As at 31 March 2015, to the best knowledge of the Directors, the following person (other than a Director and chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital as at 31 March 2015
Walifax Investments Limited *(Note below)*	Beneficial interest	1,085,267,988	43.86%

Note: Walifax Investments Limited is wholly and beneficially owned by Mr. Tse Hoi Chau.

Save as disclosed above, as at 31 March 2015, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end or any time during the year ended 31 March 2015.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at the end of reporting period are set out in notes 26 of the Financial Statements.

FIVE-YEAR SUMMARY

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

RETIREMENT SCHEMES

Particulars of employee retirement schemes of the Group are set out in note 28 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

FUND RAISING ACTIVITY DURING THE YEAR

The Company undertook an open offer involving the issue of an aggregate of 1,855,980,483 ordinary shares, in the Company raising proceeds of approximately HK$183 million after expenses. The Directors considered that the proceeds of the open offer strengthen the Company's capital base and the Company's financial position. Further particulars of the open offer is set out in the Company's prospectus dated 27 November 2014 and in note 27 of the financial statements.

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 2015 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 2015.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 March 2015 and up to the date of this report, none of the Directors or the management shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

AUDITOR

ZHONGLEI (HK) CPA Company Limited will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of ZHONGLEI (HK) CPA Company Limited as auditor of the Company is to be proposed at the AGM.

By order of the Board

TSE HOI CHAU
Chairman

Hong Kong, 19 June 2015


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TSE HOI CH
Chairman

Hong Kong, 19 June

The ARTINI collections devote to perform beyond expectations - ARTINI belongs to those tasteful customers who always strive for perfection. ARTINI will ever refine itself to cater for the needs of ARTINI admirers.

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


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

Sparking the Fashion Accessories Market in the PRC

Corporate Governance Report

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 2015.

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 21 June 2013 onwards, the roles of chairman and chief executive of the Company were performed by Mr. Tse Hoi Chau.

The Board considers that the vesting of the roles of chairman of the Board and chief executive of the Company in the same individual is beneficial to the business prospects and management of the Company. The Board will review the need of appointing suitable candidate to assume the role of chief executive if and when necessary.

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 2015.

BOARD OF DIRECTORS

Composition

As at 31 March 2015, the Board comprised two executive Directors and three independent non-executive Directors. The composition of the Board during the year ended 31 March 2015 and up to the date of this report are as follows:

Executive Directors

Mr. Tse Hoi Chau (Chairman)
Mr. Lin Shao Hua
Ms. Yip Ying Kam (resigned on 13 April 2014)

Non-executive Director

Ms. He Yun (appointed on 22 December 2014 and resigned on 23 April 2015)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui (appointed on 1 October 2014)
Mr. Li Youhuan (resigned on 22 August 2014)

The biographical details of all current Directors are set out on pages 20 to 21 of this annual report. Save as disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

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

Corporate Governance Report

Functions of the Board

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

Board Meetings and Board Practices

The Company adopted the practice of holding Board meetings regularly throughout the year ended 31 March 2015. The Board will also meet on other occasions when a board-level decision on a particular matter is required. The company secretary of the Company (the "Company Secretary") will assist the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. Generally, at least 14 days notice would be given for the regular meeting by the Company. The Directors will receive details of agenda items for decision at least 3 days before each Board meeting. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring that the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and decisions reached.

The Board is also responsible for performing the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

During the year ended 31 March 2015 and up to date of this report, the corporate governance duties performed by the Board were mainly set out below:

(1) reviewed the existing policies and practices on corporate governance;

(2) reviewed and monitored the company's policies and practices on compliance with legal and regulatory requirements;

(3) reviewed the effectiveness of the internal control system;

(4) reviewed compliance with the CG Code and disclosure in the Corporate Governance Report; and

(5) reviewed and monitored the continuous professional development and training of the Directors.

Throughout the year ended 31 March 2015, 11 Board meetings and 1 annual general meeting and 2 special general meetings were held. Details of the attendance of Directors are as follows:

Name of the Directors	Number of Board meetings attended/held	Number of annual general meeting attended/held	Number of special general meeting attended held
Executive Directors			
Mr. Tse Hoi Chau	11/11	1/1	2/2
Mr. Lin Shao Hua	11/11	1/1	2/2
Ms. Yip Ying Kam (resigned on 13 April 2014)	N/A	N/A	N/A
Non-executive Directors			
Ms. He Yun (appointed on 22 December 2014 and resigned on 23 April 2015)	0/1	N/A	N/A
Independent Non-executive Directors			
Mr. Lau Fai Lawrence	11/11	1/1	2/2
Mr. Lau Yiu Kit	11/11	1/1	2/2
Mr. Zeng Zhaohui (appointed on 1 October 2014)	7/7	1/1	2/2
Mr. Li Youhuan (resigned on 22 August 2014)	3/4	N/A	N/A

Directors' Appointment, Re-election and Removal

Mr. Tse Hoi Chau ("Mr. Tse") entered into a service contract with the Company for a term of 3 years commencing on 29 June 2015 which may be terminated by either party giving to the other not less than 3 months' prior notice in writing. Mr. Tse is entitled to a monthly salary, of approximately HK$200,000 (on a 13-month basis which equals to approximately HK2,600,000 in aggregate per year), which was determined by reference to the prevailing market rate and his time, effort and expertise devoted to the Company's affairs. He was also granted a monthly housing allowance of not exceeding HK$51,150 per month. As an executive Director, he is also entitled to a discretionary bonus for each financial year to be determined by the Board.

Mr. Lin Shao Hua ("Mr. Lin") entered into a service contract with the Company for a term of 3 years commencing on 29 June 2015 which may only be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Mr. Lin is entitled to a monthly salary of HK$30,000 (on a 13-month basis which equals to HK$390,000 in aggregate per year) which was determined with reference to his previous experience, prevailing market conditions as well as his duties and responsibilities with the Company. He is also entitled to a discretionary bonus for each financial year to be determined by the Board.

The remuneration packages of both executive Directors were determined by reference to the prevailing market rate and his or her experience and are entitled to a discretionary bonus for each financial year to be determined by the Board.

Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit, and Mr. Zeng Zhaohui, the independent non-executive Directors, have currently entered into a formal appointment letter with the Company for a term of 3 years commencing from 29 June 2015, subject to termination by either party giving the other not less than 3 months' prior written notice or such shorter period as both parties may agree.

In accordance with the Bye-Laws, all Directors are subject to retirement by rotation at least once every 3 years.

Corporate Governance Report

Independent Non-executive Directors

Among the independent non-executive Directors, at least one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 March 2015. The Company, based on such confirmation, considers all independent non-executive Directors during the year ended 31 March 2015 are independent.

Chairman and Chief Executive

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 21 June 2013 onwards, the roles of chairman and chief executive of the Company were performed by Mr. Tse Hoi Chau.

The Board considers that vesting the roles of chairman of the Board and chief executive of the Company in the same individual is beneficial to the business prospects and management of the Company. The Board will review the need of appointing suitable candidate to assume the role of chief executive if and when necessary.

Delegation of Powers

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

Continuous Professional Development

All Directors receive an induction on their appointments to ensure adequate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. All Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training and provided a record of training they received for the year ended 31 March 2015 to the Company.

During the year ended 31 March 2015, the Company has provided regulatory updates for the directors of the Company prepared by external professional institution to develop and refresh their knowledge and skills through suitable reading materials. The programme is to ensure that their contribution to the Board remains informed and relevant.

The individual training record of each Director received for the year ended 31 March 2015 is summarised below:

Directors	Completed continuous professional development programmes
Executive Directors	
Mr. Tse Hoi Chau	√
Mr. Lin Shao Hua	√
Independent Non-executive Directors	
Mr. Lau Fai Lawrence	√
Mr. Lau Yiu Kit	√
Mr. Zeng Zhaohui	√

Disclosure of Directors' Information Under Rule 13.51B(1) of the Listing Rules

Mr. Tse Hoi Chau, chairman, executive Director and chief executive of the Company, was appointed as the authorised representative of the Company with effect from 13 April 2014 pursuant to the requirements under Listing Rule 3.05.

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published financial report.

Audit Committee

Composition

The audit committee of the Company (the "Audit Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. As at 31 March 2015, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Mr. Lau Yiu Kit and Mr. Zeng Zhaohui.

The primary duties of the Audit Committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst reviewing and monitoring their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts and interim report and quarterly reports if prepared for publication and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system and internal control procedures of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of facilitating the above-mentioned duties.

During the year ended 31 March 2015, 4 Audit Committee meetings were held. Details of the members' attendance of the Audit Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	4/4
Mr. Lau Yiu Kit	4/4
Mr. Zeng Zhaohui (appointed on 1 October 2014)	2/2
Mr. Li Youhuan (resigned on 22 August 2014)	2/2

For the year ended 31 March 2015, the Audit Committee has held meetings with the Company's auditor, ZHONGLEI (HK) CPA Company 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 2015 and the interim financial report for the six months ended 30 September 2014, including the accounting principles and practice adopted by the Group.

Remuneration Committee

Composition

The remuneration committee of the Company (the "Remuneration Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. As at 31 March 2015, the Remuneration Committee comprised four members, namely Mr. Zeng Zhaohui (Chairman), Mr. Tse Hoi Chau, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the majority of which are independent non-executive Directors except for Mr. Tse Hoi Chau, an executive director.

The role and function written in the terms of reference of the Remuneration Committee are no less exacting terms than the CG Code. The Remuneration Committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also makes recommendation to the Board on the remuneration packages of individual executive Directors and senior management links rewards to corporate and individual performance and with reference to the Board's corporate goal and objectives. It is also responsible for ensuring no Directors or any of his/her associates can be involved in deciding his/her own remuneration and all provisions regarding the disclosure of remuneration including pensions as set out in the relevant provisions of the Listing Rules are fulfilled.

During the year ended 31 March 2015, 6 Remuneration Committee meetings were held and details of the members' attendance of the Remuneration Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Zeng Zhaohui (Chairman) (appointed on 1 October 2014)	4/4
Mr. Tse Hoi Chau	6/6
Mr. Lau Fai Lawrence	6/6
Mr. Lau Yiu Kit	6/6
Mr. Li Youhuan (resigned on 22 August 2014)	1/1

For the year ended 31 March 2015, the Remuneration Committee reviewed the remuneration packages of all Directors and senior management and determined the remuneration of the newly appointed Directors.

Remuneration Policy for Directors and Senior Management

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

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

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

Nomination Committee

Composition

The nomination committee of the Company (the "Nomination Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. As at 31 March 2015, the Nomination Committee comprised four members, namely Mr. Lau Fai Lawrence (Chairman), Mr. Tse Hoi Chau, Mr. Lau Yiu Kit and Mr. Zeng Zhaohui, the majority of which are independent non-executive Directors (except for Mr. Tse Hoi Chau, an executive Director).

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

During the year ended 31 March 2015, 5 Nomination Committee meetings were held and details of the members' attendance of the Nomination Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	5/5
Mr. Tse Hoi Chau	5/5
Mr. Lau Yiu Kit	5/5
Mr. Zeng Zhaohui (appointed on 1 October 2014)	3/3
Mr. Li Youhuan (resigned on 22 August 2014)	1/1

For the year ended 31 March 2015, the Nomination Committee reviewed the composition, size, structure and diversity of the Board and determined the appointment of the Directors and senior management of the Company.

Board Diversity Policy

The Nomination Committee adopted the board diversity policy pursuant to Appendix 14 of the Listing Rules. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2015, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibility of the external auditor of the Company on the financial statements of the Company for the year ended 31 March 2015 are set out in the Independent Auditor's Report.

Auditor's Remuneration

During the year ended 31 March 2015, the remuneration paid or payable to the Company's auditor, ZHONGLEI (HK) CPA Company Limited, in respect of its audit and non-audit services were as follows:

Type of Services	HK$'000
Audit services	700
Non-audit services for the major and connected transaction	150
Non-audit services for open offer	200
	1,050

INTERNAL CONTROL

The Company has prepared an internal control report, covering all material controls, including financial and operation for the year ended 31 March 2015. The said internal control report compiled by the Company has been brought to the attention of the Board and the Audit Committee. The Board, having reviewed the effectiveness of the internal control system, concluded that the Group needs to further improve its internal control system.

The Company has established the internal control department to provide day-to-day management of the compliance and control of the Group and report to the Board on control and compliance matters. The internal control department has been headed by Internal Control Manager since December 2011, and it reports directly to the Board. The primary responsibilities of the internal control department include reviewing the internal control system and monitoring the compliance of the daily operating activities within the Group. In addition, it also carries out assessment in relation to the establishment of new company or entity and new products of the Group.

INVESTORS AND SHAREHOLDERS RELATIONS

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

There was no significant change in the Company's constitutional documents for the year ended 31 March 2015.

Shareholders' Right

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

The rights of the Shareholders are set out in the Bye-laws of the Company.

The Shareholders may put forward their proposals or enquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong.

Pursuant to Bye-law 58 of the Bye-laws, Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting of the Company. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the Shareholders concerned in one or more documents in like form and deposited at the Company's principal place of business in Hong Kong.

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at a general meeting; or (b) are not less than one hundred Shareholders. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's principal place of business in Hong Kong at Suite 10, 8/F., Tower 3, China Hong Kong City China Ferry Terminal, 33 Canton Road, Kowloon.

The written requisition must be signed by all the Shareholders concerned in one or more documents in like form and deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all Shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

COMPANY SECRETARY

Mr. Leung Ka Shing ("Mr. Leung") is currently the Company Secretary of the Company. Mr. Leung has taken no less than 20 hours of relevant professional training for the year ended 31 March 2015 to update his skills and knowledge.

Independent Auditor's Report

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF
ARTINI CHINA CO. LTD.
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Artini China Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 108, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the predecessor Hong Kong Companies Ordinance, Cap. 32, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2015 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance, Cap. 32.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Li Man Choi
Practising Certificate Number: P03333

Suites 313-316, 3/F., Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

19 June 2015

Consolidated Statement of Profit or Loss

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

	Notes	2015 HK$'000	2014 HK$'000
Turnover	7	77,707	173,236
Cost of sales		(96,395)	(155,021)
Gross (loss) profit		(18,688)	18,215
Other income	8	486	1,262
Other gains and losses	9	(15,116)	(15,010)
Gains (losses) on disposals of property, plant and equipment		42,897	(279)
Net gains on disposals of subsidiaries	31	39,312	474
Selling and distribution expenses		(97,796)	(30,589)
Administrative expenses		(39,919)	(78,305)
Finance costs	10	(2,148)	(1,346)
Loss before tax	11	(90,972)	(105,578)
Income tax expense	14	(18)	(2,742)
Loss for the year		(90,990)	(108,320)
Attributable to:			
– Owners of the Company		(90,990)	(108,299)
– Non-controlling interests		–	(21)
Loss for the year		(90,990)	(108,320)
			(Restated)
Loss per share	15		
– Basic (HK$)		(0.080)	(0.175)
– Diluted (HK$)		N/A	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

	Notes	2015 HK$'000	2014 HK$'000
Loss for the year		**(90,990)**	(108,320)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**123**	1,658
Release of translation reserve upon disposals of subsidiaries	*31*	**(21,474)**	(50)
		(21,351)	1,608
Total comprehensive expense for the year		**(112,341)**	(106,712)
Total comprehensive expense attributable to:			
– Owners of the Company		**(112,341)**	(106,691)
– Non-controlling interests		**–**	(21)
Total comprehensive expense for the year		**(112,341)**	(106,712)

Consolidated Statement of Financial Position

At 31 March 2015 | (Expressed in Hong Kong dollars)

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**1,607**	32,772
Prepaid lease payments – non-current portion	*17*	**–**	7,717
Investment properties	*18*	**8,901**	9,090
Intangible assets	*19*	**–**	–
Deferred tax assets	*20*	**63**	628
Trade and other receivables – non-current portion	*22*	**–**	954
		10,571	51,161
CURRENT ASSETS			
Inventories	*21*	**3,515**	12,864
Trade and other receivables	*22*	**19,154**	49,657
Prepaid lease payments	*17*	**–**	551
Amounts due from related companies	*23*	**–**	129
Tax recoverable		**–**	19
Pledged bank deposits and cash and cash equivalents	*24*	**122,822**	11,717
		145,491	74,937
CURRENT LIABILITIES			
Trade and other payables	*25*	**25,794**	37,484
Amount due to a related company	*23*	**–**	20
Tax liabilities		**159**	2,693
Borrowings	*26*	**–**	26,350
		25,953	66,547
NET CURRENT ASSETS		**119,538**	8,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**130,109**	59,551
NON-CURRENT LIABILITY			
Deferred tax liabilities	*20*	**–**	148
NET ASSETS		**130,109**	59,403
CAPITAL AND RESERVES			
Share capital	*27*	**24,746**	123,732
Reserves		**105,363**	(64,329)
Equity attributable to owners of the Company		**130,109**	59,403
Non-controlling interests		**–**	–
TOTAL EQUITY		**130,109**	59,403

The consolidated financial statements on pages 43 to 108 were approved and authorised for issue by the board of directors on 19 June 2015 and are signed on its behalf by:

Tse Hoi Chau
Director

Lin Shao Hua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 *(note (A))*	Translation reserve HK$'000	PRC statutory reserves HK$'000 *(note (B))*	Share-based payment capital reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2013	123,732	549,974	(20,183)	37,122	21,755	878	(561,689)	151,589	262	151,851
Loss for the year	–	–	–	–	–	–	(108,299)	(108,299)	(21)	(108,320)
Other comprehensive income for the year	–	–	–	1,608	–	–	–	1,608	–	1,608
Total comprehensive income (expense) for the year	–	–	–	1,608	–	–	(108,299)	(106,691)	(21)	(106,712)
Disposals of subsidiaries *(Note 31(a))*	–	–	665	–	–	–	–	665	(241)	424
Recognition of equity-settled share-based payments	–	–	–	–	–	13,840	–	13,840	–	13,840
As at 31 March 2014	123,732	549,974	(19,518)	38,730	21,755	14,718	(669,988)	59,403	–	59,403
Loss for the year	–	–	–	–	–	–	(90,990)	(90,990)	–	(90,990)
Other comprehensive expense for the year	–	–	–	(21,351)	–	–	–	(21,351)	–	(21,351)
Total comprehensive expense for the year	–	–	–	(21,351)	–	–	(90,990)	(112,341)	–	(112,341)
Disposals of subsidiaries	–	–	–	–	(13,114)	–	13,114	–	–	–
Capital Reduction *(as defined in Note 27(a))*	(117,545)	–	–	–	–	–	117,545	–	–	–
Issue of shares in respect of Open Offer *(as defined in Note 27(b))*	18,559	167,039	–	–	–	–	–	185,598	–	185,598
Transaction costs attributable to the issue of shares *(Note 27(b))*	–	(2,551)	–	–	–	–	–	(2,551)	–	(2,551)
Lapsed of share options *(Note 29)*	–	–	–	–	–	(1,146)	1,146	–	–	–
As at 31 March 2015	**24,746**	**714,462**	**(19,518)**	**17,379**	**8,641**	**13,572**	**(629,173)**	**130,109**	**–**	**130,109**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

Notes:

A. OTHER RESERVES

The other reserves comprise of the following:

i. Restructuring reserve

The restructuring reserve of debit balance of HK$19,615,000 (2014: HK$19,615,000) represented the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries comprising of the Group prior to the reorganisation of the Group in 2008.

ii. Legal reserve

Pursuant to the Macao Commercial Code, the Company's subsidiary incorporated in Macao is required to appropriate 25% of net profit to legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve of HK$97,000 (2014: HK$97,000) at the end of reporting period is not distributable to equity holders of the Company.

iii. Transactions with non-controlling interest reserve

The amount represented the difference between the amount by which the non-controlling interests of HK$210,000 is adjusted and the fair value of the consideration paid of HK$875,000 upon the acquisition of 11.67% equity interest in a subsidiary, Q'ggle Lingerie Company Limited from the non-controlling interests of the subsidiary which was recognised directly in "Transactions with non-controlling interests reserve" within equity and attributed to the owners of the parent in prior years. The amount was reversed upon the disposals of the Disposal Companies (as defined in Note 31(a)) during the year ended 31 March 2014.

B. PRC STATUTORY RESERVES

The amounts represented the transfers from retained earnings to PRC statutory reserves which were made in accordance with the relevant rules and regulations in the People's Republic of China (the "PRC") and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors which comprise of:

i. General reserve fund

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

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

ii. Enterprise expansion fund

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

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(90,972)**	(105,578)
Adjustments for:		
Depreciation of property, plant and equipment	**3,820**	7,360
Depreciation of investment properties	**293**	813
Amortisation of prepaid lease payments	**401**	539
Finance costs recognised in profit or loss	**2,148**	1,346
Interest income recognised in profit or loss	**(25)**	(45)
(Gains) losses on disposals of property, plant and equipment	**(42,897)**	279
Written-off of property, plant and equipment	**5,496**	13,600
Net gains on disposals of investment properties	**–**	(1,996)
Net gains on disposals of subsidiaries *(Note 31)*	**(39,312)**	(474)
Impairment losses recognised in respect of inventories	**3,598**	20,989
Impairment losses recognised in respect of trade receivables	**7,427**	3,908
Impairment losses (reversal of impairment losses) recognised in respect of other receivables	**3,475**	(767)
Impairment losses recognised in respect of intangible assets	**–**	1,247
Waiver of other payables	**(1,305)**	–
Share-based payment expenses	**–**	13,840
Operating cash flows before movements in working capital	**(147,853)**	(44,939)
Decrease in inventories	**2,918**	2,032
Decrease (increase) in trade and other receivables	**17,299**	(829)
Increase (decrease) in trade and other payables	**16,293**	(4,472)
Cash used in operations	**(111,343)**	(48,208)
Income taxes paid	**(198)**	(81)
Interest paid	**(2,148)**	(1,346)
NET CASH USED IN OPERATING ACTIVITIES	**(113,689)**	(49,635)
INVESTING ACTIVITIES		
Proceeds on disposals of investment properties	**–**	9,918
Net proceeds on disposals of property, plant and equipment	**56,470**	164
Interest received	**25**	45
Purchase of property, plant and equipment	**(2,079)**	(5,864)
Net cash inflow (outflow) on disposals of subsidiaries *(Note 31)*	**13,940**	(893)
Advances to related companies	**–**	(129)
Decrease (increase) in pledged bank deposits	**999**	(798)
NET CASH FROM INVESTING ACTIVITIES	**69,355**	2,443

Consolidated Statement of Cash Flows

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

	2015 HK$'000	2014 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**185,598**	–
Transaction costs attributable to the issue of shares	**(2,551)**	–
New borrowings raised	**–**	19,000
Advance from a related company	**–**	20
Repayments of borrowings	**(26,350)**	(13,721)
Repayments of obligations under finance leases	**–**	(379)
NET CASH FROM FINANCING ACTIVITIES	**156,697**	4,920
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**112,363**	(42,272)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,718**	52,255
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(259)**	735
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**122,822**	10,718

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

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 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, retailing and distribution and concurrent design manufacturing ("CDM") of fashion accessories.

The principal activities of its subsidiaries are set out in Note 36 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKRFSs") AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and amendments and Interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

New and amended standards and interpretations that are mandatorily effective for the current year

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Int 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee

The directors of the Company (the "Directors") consider that the application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 31 December 2015 in accordance with section 358 of that Ordinance, i.e. for the year ending 31 March 2016. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKRFSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1	Presentation of Financial Statements[2]
HKFRS 9	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefits Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKRFSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments that are held within a business whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments or principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKRFSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except as described above, the Directors consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with accounting policies set out below which are in conformity with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the predecessor Hong Kong Companies Ordinance, Cap. 32.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, where applicable, on the basis specified in another standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairments, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received or receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from licensing is recognised in profit or loss in equal installments over the periods as stipulated in the sales agency agreement.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses when employees have rendered service entitling them to the contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share-based payment capital reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share-based payment capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment capital reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment capital reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit or loss before tax" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings in the production or supply of goods or services, or for administrative purposes as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any. Depreciation is recognised so as to write-off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised so as to write-off the cost of intangible assets over their estimated useful lives, using the straight-line method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, pledged bank deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related company and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash included in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Notes to the Consolidated Financial Statements

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying accounting policies

The Directors have not come across any significant areas where critical judgements are involved in applying the Group's accounting policies.

Key sources of estimation uncertainty

The followings are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could be changed significantly as a result of competitors' actions in response to changes in market condition. Management reassesses these estimates at the end of the reporting period.

b. *Impairment allowances on trade and other receivables*

In determining individual impairment allowances, the Group periodically reviews its trade and other receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated statement of profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the customers' financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group, if any.

c. *Impairment of property, plant and equipment*

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the continuing use of the assets and from its ultimate disposal and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

d. *Deferred tax assets*

As at the end of the reporting period, no deferred tax asset in relation to unused tax losses and certain deductible temporary difference 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.

e. *Impairment for investments in subsidiaries*

If circumstances indicate that the Company's investments in subsidiaries, including the receivables from the subsidiaries are not recoverable, the Company's investments in subsidiaries may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of Assets*. The carrying amount of the Company's investments in subsidiaries is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for investment in subsidiaries are not readily available. In determining the value in use, expected cash flows generated by the Company's investments in subsidiaries are discounted to their present value, which requires significant judgment relating to level of sale volume and amount of operating costs of the subsidiaries. The Company use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume and amount of operating costs of the subsidiaries.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes borrowings and net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as raising of new borrowings or the repayment of existing borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables:		
– Trade and other receivables	**8,171**	35,407
– Amounts due from related companies	**–**	129
– Pledged bank deposits and cash and cash equivalents	**122,822**	11,717
	130,993	47,253
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and other payables	**19,351**	30,503
– Amount due to a related company	**–**	20
– Borrowings	**–**	26,350
	19,351	56,873

b. Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, amounts due from related companies, pledged bank deposits and cash and cash equivalents, trade and other payables, amount due to a related company and borrowings. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior years.

c. Market risk

The Group's activities expose it primarily to the market risks including interest rate risk (Note 6(c)(i)) and foreign currency risk (Note 6(c)(ii)).

i. Interest rate risk management

The Group's exposure to fair value interest rate risk is mainly caused by fixed rate borrowings. The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly pledged bank deposits and cash and cash equivalents and borrowings which carried interest at prevailing market rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable-rate borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

6. FINANCIAL INSTRUMENTS *(continued)*

c. Market risk *(continued)*

i. *Interest rate risk management (continued)*

If interest rates on bank balances had been 5 basis points higher, interest rates on variable-rate borrowings had been 50 basis points higher, and all other variables were held constant, the potential effect on post-tax loss is as follows:

	2015 HK$'000	2014 HK$'000
Post-tax loss would (decrease) increase by	**(61)**	31

For a decrease of interest rate of 5 basis points on bank balances and 50 basis points on variable-rate bank borrowings, there would be an equal and opposite impact on the post-tax loss for the year ended 31 March 2015.

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposures do not reflect the exposure during the year ended 31 March 2015.

ii. *Foreign currency risk management*

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial years, certain trade and other receivables, pledged bank deposits and cash and cash equivalents, trade and other payables and borrowings of the Group are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2015 HK$'000	2014 HK$'000
Assets		
United Stated Dollars ("US$")	**5,942**	23,726
Renminbi ("RMB")	**54,709**	7,531
Liabilities		
US$	**5,696**	19
RMB	**17,169**	30,916
Net assets (liabilities)		
US$	**246**	23,707
RMB	**37,540**	(23,385)

6. FINANCIAL INSTRUMENTS *(continued)*

c. Market risk *(continued)*

ii. Foreign currency risk management (continued)

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB, with all other variables held constant, of the Group's post-tax loss. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Increase (decrease) in RMB rate %	Increase (decrease) in post-tax loss HK$'000
Year ended 31 March 2014		
If HK$ weakens against RMB	5	(1,169)
If HK$ strengthens against RMB	(5)	1,169
Year ended 31 March 2015		
If HK$ weakens against RMB	**5**	**1,866**
If HK$ strengthens against RMB	**(5)**	**(1,866)**

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year ended 31 March 2015.

6. FINANCIAL INSTRUMENTS *(continued)*

d. Credit risk management

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, amounts due from related companies and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management reviews the recoverability of each debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

As at 31 March 2015, the Group has concentration of credit risk as the Group's gross trade receivables of HK$13,827,000 (2014: HK$16,625,000), representing 65.90% (2014: 47.91%) of total gross trade receivables were derived from few customers. In order to minimise the credit risk, the management continuously monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk on the remaining trade receivables, with exposure spread over a number of counterparties and customers.

The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Directors based on prior experience and their assessment of the current economic environment. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash at bank since all of the Group's cash and cash equivalents are deposited with major and creditworthy banks and securities companies located in Hong Kong, Macao and the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

6. FINANCIAL INSTRUMENTS *(continued)*

e. Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Group's operations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	Repayable on demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 March 2014					
Trade and other payables	–	30,503	–	30,503	30,503
Amount due to a related company	–	20	–	20	20
Borrowings *(Note)*	8.99	28,719	–	28,719	26,350
		59,242	–	59,242	56,873
At 31 March 2015					
Trade and other payables	**–**	**19,351**	**–**	**19,351**	**19,351**

Note: As at 31 March 2014, included in interest bearing bank loans of the Group are term loans with an aggregate principal amounting to approximately HK$7,350,000 of which the respective loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the Directors do not believe that these loans will be called in their entirely within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the consolidated financial statements; the Group's compliance with the loan covenants; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time.

f. Fair value measurements

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

a. Revenue

Turnover represents the net amounts received and receivables that are derived from sales of goods to customers during the year.

b. Segment information

The Group's operating segments, based on information reported to the board of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance.

Prior to the disposal of the TCK Group (as defined and explained in Note 31(b)(i)), the Group's reportable and operating segments were as follows:

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

Upon the completion on the disposal of TCK Group, which was mainly the manufacturing arm of the Group, during the year ended 31 March 2015, the Company changed its reportable and operating segments as follows:

Retailing and Distribution:	Sale of own brand fashion accessories
CDM Sales:	Sale of the customer's chosen level of participation in the design process, concurrently works with its customer in designing the products and sales the same according to the customer's desired final design

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

7. REVENUE AND SEGMENT INFORMATION *(continued)*

b. Segment information *(continued)*

i. *Segment revenue and results, assets and liabilities and other information*

The following is an analysis of the Group's revenue and results, assets and liabilities and other information by reportable and operating segments:

	Retailing and Distribution					
	Mainland China HK$'000	Hong Kong HK$'000	Sub-total HK$'000	CDM Sales HK$'000	Eliminations/ unallocated HK$'000	Consolidated HK$'000
Year ended 31 March 2014						
Revenue						
External sales	39,180	9,869	49,049	124,187	–	173,236
Internal sales	–	–	–	8,165	(8,165)	–
Segment revenue	39,180	9,869	49,049	132,352	(8,165)	173,236
Results						
Segment results	(22,574)	(4,313)	(26,887)	(52,261)	–	(79,148)
Unallocated income						4,714
Unallocated expenses						(31,144)
Loss before tax						(105,578)
Assets						
Segment assets	31,673	20,994	52,667	356,706	(313,264)	96,109
Investment properties						9,090
Unallocated assets						20,899
Total assets						126,098
Liabilities						
Segment liabilities	79,109	82,258	161,367	266,767	(391,463)	36,671
Unallocated liabilities						30,024
Total liabilities						66,695
Other information						
Depreciation of property, plant and equipment	1,297	117	1,414	3,976	1,970	7,360
Depreciation of investment properties	–	–	–	–	813	813
Amortisation of prepaid lease payments	–	–	–	539	–	539
Impairment losses recognised in respect of trade receivables	553	21	574	3,234	100	3,908
Reversal of impairment losses recognised in respect of other receivables	(691)	–	(691)	–	(76)	(767)
Impairment losses recognised in respect of intangible assets	–	1,247	1,247	–	–	1,247
Impairment losses recognised in respect of inventories	11,905	602	12,507	8,482	–	20,989
Additions to property, plant and equipment	2,004	–	2,004	1,948	1,912	5,864
Losses (gains) on disposals of property, plant and equipment	–	–	–	297	(18)	279
Written-off of property, plant and equipment	2,536	–	2,536	11,064	–	13,600
Net gains on disposals of investment properties	–	–	–	–	(1,996)	(1,996)
Net gain on disposal of subsidiaries	–	–	–	–	(474)	(474)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

7. REVENUE AND SEGMENT INFORMATION *(continued)*

b. Segment information *(continued)*

i. *Segment revenue and results, assets and liabilities and other information (continued)*

The following is an analysis of the Group's revenue and results, assets and liabilities and other information by reportable and operating segments: (continued)

	Retailing and Distribution					
	Mainland China HK$'000	Hong Kong HK$'000	Sub-total HK$'000	CDM Sales HK$'000	Eliminations/ unallocated HK$'000	Consolidated HK$'000
Year ended 31 March 2015						
Revenue						
External sales	5,524	2,588	8,112	69,595	–	77,707
Internal sales	–	–	–	1,783	(1,783)	–
Segment revenue	5,524	2,588	8,112	71,378	(1,783)	77,707
Results						
Segment results	(20,093)	(7,576)	(27,669)	(116,314)	–	(143,983)
Unallocated income						77,516
Unallocated expenses						(24,505)
Loss before tax						(90,972)
Assets						
Segment assets	63,473	19,660	83,133	129,810	(125,944)	86,999
Investment properties						8,901
Unallocated assets						60,162
Total assets						156,062
Liabilities						
Segment liabilities	133,727	61,677	195,404	158,012	(329,370)	24,046
Unallocated liabilities						1,907
Total liabilities						25,953
Other information						
Depreciation of property, plant and equipment	1,458	38	1,496	877	1,447	3,820
Depreciation of investment properties	–	–	–	–	293	293
Amortisation of prepaid lease payments	–	–	–	401	–	401
Impairment losses recognised in respect of trade receivables	358	38	396	7,031	–	7,427
Impairment losses recognised in respect of other receivables	2,691	–	2,691	289	495	3,475
Impairment losses recognised in respect of inventories	1,981	115	2,096	1,502	–	3,598
Additions to property, plant and equipment	1,590	489	2,079	–	–	2,079
Gains on disposals of property, plant and equipment	–	(5,673)	(5,673)	(155)	(37,069)	(42,897)
Written-off of property, plant and equipment	2,905	314	3,219	–	2,277	5,496
Net gains on disposals of subsidiaries	–	–	–	–	39,312	39,312

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

7. REVENUE AND SEGMENT INFORMATION *(continued)*

b. Segment information *(continued)*

i. *Segment revenue and results, assets and liabilities and other information (continued)*

The accounting policies of the above reportable and operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements.

Revenue reported above represents revenue generated from external customers. Internal sales represented transactions between the Group's subsidiaries in the Retailing and Distribution segment and the CDM Sales segment of approximately HK$1,783,000 (2014: HK$8,165,000).

Segment results represent the profit or loss earned or incurred by each segment without allocation of items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable and operating segments other than investment properties, tax recoverable, deferred tax assets, certain property, plant and equipment, other receivables, certain pledged bank deposits and cash and cash equivalents.
- All liabilities are allocated to reportable and operating segments other than tax liabilities, deferred tax liabilities, certain other payables and borrowings.

ii. *Geographical information*

The following table provides an analysis of the Group's revenue from external customers based on the location where the goods were delivered:

	2015 HK$'000	2014 HK$'000
Europe	48,835	72,501
Hong Kong and Macao	6,379	17,207
The PRC, other than Hong Kong and Macao	9,445	42,316
Americas	8,861	31,178
Others	4,187	10,034
	77,707	173,236

The following table provides an analysis of the Group's non-current assets, excluding deferred tax assets and financial instruments based on the geographical location of the assets:

	2015 HK$'000	2014 HK$'000
Hong Kong and Macao	203	10,701
The PRC, other than Hong Kong and Macao	10,305	38,878
	10,508	49,579

7. REVENUE AND SEGMENT INFORMATION *(continued)*

c. Information about major customers

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the year:

	Reportable and operating segments	2015 HK$'000	2014 HK$'000
Customer A	CDM Sales	**26,557**	26,175

8. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Other income comprises of:		
Interest income	**25**	45
Licence fee	**–**	105
Rental income, less direct outgoings	**20**	896
Others	**441**	216
	486	1,262

9. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Other gains and losses comprise of:		
Net exchange (losses) gains	**(23)**	982
Waiver of other payables	**1,305**	–
Written-off of property, plant and equipment	**(5,496)**	(13,600)
Net gains on disposals of investment properties	**–**	1,996
Impairment losses recognised in respect of trade receivables	**(7,427)**	(3,908)
(Impairment losses) reversal of impairment losses recognised in respect of other receivables	**(3,475)**	767
Impairment losses recognised in respect of intangible assets	**–**	(1,247)
	(15,116)	(15,010)

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For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Finance costs comprise of:		
– Finance leases charge	–	26
– Interest on borrowings wholly repayable within five years	2,148	1,320
	2,148	1,346

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2015 HK$'000	2014 HK$'000
Staff costs (included directors' remuneration *(Note12(a))*):		
Salaries, wages and other benefits	23,498	62,250
Share-based payment expenses for the Directors and employees	–	5,740
Contributions to defined contribution retirement plans	900	3,363
	24,398	71,353
Cost of inventories recognised as an expense, including impairment losses recognised in respect of inventories of approximately HK$3,598,000 (2014: HK$20,989,000)	96,395	155,021
Depreciation of property, plant and equipment	3,820	7,360
Depreciation of investment properties	293	813
Amortisation of prepaid lease payments	401	539
Share-based payment expenses for consultants	–	8,100
Auditor's remuneration	700	700
Operating leases charges in respect of office premises, shops and Directors' quarters	9,726	19,627

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For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' and chief executives' emoluments

Details of the emoluments paid or payable to the Directors and chief executives are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 March 2014						
Executive directors						
Mr. Tse Hoi Chau	–	5,595	–	15	1,440	7,050
Ms. Yip Ying Kam *(note (i))*	–	6,927	–	15	268	7,210
Mr. Lin Shao Hua *(note (ii))*	–	770	–	–	1,440	2,210
Independent non-executive directors						
Mr. Lau Fai Lawrence	405	–	–	–	–	405
Mr. Lau Yiu Kit	405	–	–	–	–	405
Mr. Li Youhuan *(note (iv))*	135	–	–	–	–	135
Mr. Chan Shu Hung, Joseph *(note (v))*	302	–	–	–	–	302
	1,247	13,292	–	30	3,148	17,717
Year ended 31 March 2015						
Executive directors						
Mr. Tse Hoi Chau	–	3,352	–	18	–	3,370
Ms. Yip Ying Kam *(note (i))*	–	207	–	1	–	208
Mr. Lin Shao Hua *(note (ii))*	–	485	–	–	–	485
Non-executive director						
Ms. He Yun *(note (iii))*	66	–	–	–	–	66
Independent non-executive directors						
Mr. Lau Fai Lawrence	183	–	–	–	–	183
Mr. Lau Yiu Kit	135	–	–	–	–	135
Mr. Li Youhuan *(note (iv))*	183	–	–	–	–	183
Mr. Zeng Zhaohui *(note (vi))*	60	–	–	–	–	60
	627	4,044	–	19	–	4,690

Notes:

i. Ms. Yip Ying Kam was resigned as the executive director on 13 April 2014.

ii. Mr. Lin Shao Hua was appointed as executive director on 28 June 2013.

iii. Ms. He Yun was appointed as non-executive director on 22 December 2014 and was resigned as non-executive director on 23 April 2015.

iv. Mr. Li Youhuan was appointed as independent non-executive director on 1 October 2013 and was resigned as independent non-executive director on 22 August 2014.

v. Mr. Chan Shu Hung, Joseph was resigned as independent non-executive director on 1 January 2014.

vi. Mr. Zeng Zhaohui was appointed as independent non-executive director on 1 October 2014.

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For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

a. Directors' and chief executives' emoluments *(continued)*

Apart from the Directors, the Group has not classified any other person as a chief executive during the years ended 31 March 2015 and 31 March 2014.

During the years ended 31 March 2015 and 31 March 2014, no emoluments was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments during the years ended 31 March 2015 and 31 March 2014.

b. Employees' emoluments

Of the five individuals with the highest emoluments, two (2014: three) are Directors for the year ended 31 March 2015, details of whose emoluments are included in the disclosure in Note 12(a) above.

The emoluments of the remaining three (2014: two) individuals were as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**1,390**	286
Retirement benefit scheme contributions	**38**	18
Share-based payments	**–**	2,592
	1,428	2,896

The emoluments of these three (2014: two) individuals with the highest emoluments are within the following band:

	2015 **HK$'000**	2014 HK$'000
Nil to HK$1,000,000	**3**	–
HK$1,000,000 to HK$2,000,000	**–**	2

During the current and prior years, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 March 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

14. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Hong Kong Profits Tax		
– Current year	**(159)**	(692)
– Over provision in respect of prior years	**604**	247
	445	(445)
PRC Enterprise Income Tax ("PRC EIT")		
– Under provision in respect of prior years	**–**	(980)
Deferred tax		
– Current year *(Note 20)*	**(463)**	(1,317)
Income tax expense	**(18)**	(2,742)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Macao Complementary Tax is calculated at the maximum progressive rate of 12% (2014: 12%) on the estimated assessable profits arising from Macao for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (2014: 25%) for the year.

Arts Empire Macao Commercial Offshore Limited was established as a Macao offshore company under the Macao Offshore Law and is exempted from Macao Complementary Tax. No provision for Macao Complementary Tax and PRC EIT has been made in the consolidated financial statements as the other relevant group entities incurred tax losses.

Other than the group entities incorporated in Macao and the PRC, no provision for profits taxes have been provided for as no assessable profits were generated in other jurisdictions.

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For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

14. INCOME TAX EXPENSE *(continued)*

The income tax expense for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(90,972)**	(105,578)
Tax calculated at the rate applicable to the tax jurisdictions concerned	**(13,273)**	(25,831)
Tax effect of expenses not deductible for tax purposes	**25,994**	7,838
Tax effect of income not taxable for tax purposes	**(21,193)**	(2,293)
Tax effect of deductible temporary differences not recognised	**46**	325
Write-down of deferred tax assets on temporary differences previously recognised	**565**	1,727
Tax effect of utilisation of temporary differences previously not recognised	**(148)**	–
Tax effect of tax losses not recognised	**8,808**	20,255
Tax effect of utilisation of tax losses previously not recognised	**(177)**	(12)
(Over) under provision in respect of prior years	**(604)**	733
Income tax expense	**18**	2,742

15. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately HK$90,990,000 (2014: HK$108,299,000) and the weighted average of approximately 1,142,403,000 (2014: approximately 618,660,000, restated and see Note below) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 March 2015 and 31 March 2014 is not presented because the exercise of outstanding share options during the years have anti-dilutive effect on the basic loss per share.

Note: The weighted average number of ordinary shares for the year ended 31 March 2014 for the purpose of basic loss per share has been restated for Share Consolidation (as defined in Note 27(a)(i)) during the year ended 31 March 2015.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost							
As at 1 April 2013	34,455	11,884	34,627	8,550	13,032	18,879	121,427
Exchange adjustments	217	15	358	145	64	349	1,148
Additions	–	3,296	818	7	488	1,255	5,864
Disposals of subsidiaries	–	(498)	(122)	(66)	(1,261)	(991)	(2,938)
Other disposals	–	–	(15)	–	(2,848)	–	(2,863)
Written-off	(2,138)	–	(8,169)	(5,926)	–	(15,596)	(31,829)
As at 31 March 2014	32,534	14,697	27,497	2,710	9,475	3,896	90,809
Exchange adjustments	197	52	181	15	34	35	514
Additions	–	1,866	201	12	–	–	2,079
Disposals of subsidiaries	(15,028)	(298)	(2,156)	(1,186)	(1,454)	(1,939)	(22,061)
Other disposals	(17,703)	–	(1,752)	(668)	–	(1,992)	(22,115)
Written-off	–	(12,879)	(23,729)	(855)	(1,860)	–	(39,323)
As at 31 March 2015	–	3,438	242	28	6,195	–	9,903
Accumulated depreciation and impairments							
As at 1 April 2013	9,219	10,494	29,234	5,289	9,083	9,674	72,993
Exchange adjustments	36	34	269	73	49	170	631
Charge for the year	1,469	739	942	1,052	1,501	1,657	7,360
Eliminated on disposals of subsidiaries	–	(498)	(115)	(66)	(628)	(991)	(2,298)
Eliminated on other disposals	–	–	(13)	–	(2,407)	–	(2,420)
Written-off	(740)	–	(5,055)	(3,788)	–	(8,646)	(18,229)
As at 31 March 2014	9,984	10,769	25,262	2,560	7,598	1,864	58,037
Exchange adjustments	63	40	158	15	24	17	317
Charge for the year	1,120	910	455	4	1,091	240	3,820
Eliminated on disposals of subsidiaries	(5,260)	(224)	(2,244)	(1,106)	(1,143)	(1,532)	(11,509)
Eliminated on other disposals	(5,907)	–	(1,446)	(600)	–	(589)	(8,542)
Written-off	–	(8,995)	(22,117)	(855)	(1,860)	–	(33,827)
As at 31 March 2015	–	2,500	68	18	5,710	–	8,296
Carrying amounts							
As at 31 March 2015	–	938	174	10	485	–	1,607
As at 31 March 2014	22,550	3,928	2,235	150	1,877	2,032	32,772

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment after taking into account of their estimated residual values, are depreciated on a straight-line basis on the following basis:

Buildings	Over the terms of the leases or 50 years, whichever is shorter
Leasehold improvements	Over the terms of the leases
Office equipment	5 to 10 years
Furniture and fixtures	5 years
Motor vehicles	5 to 10 years
Plant and machinery	5 to 10 years

As at 31 March 2014, certain of the Group's buildings with an aggregate carrying amount of approximately HK$7,034,000 is erected on land held under medium-term land use rights in Hong Kong and while the rest are erected on land held under medium-term land use rights in the PRC. In addition, as at 31 March 2014, the application of obtaining the ownership certificates of buildings with an aggregate carrying amount of approximately HK$1,116,000 are still in process. During the year ended 31 March 2015, all of the Group's buildings were disposed.

As at 31 March 2014, certain of the Group's buildings with net carrying amount of approximately HK$13,456,000 were pledged as securities for borrowing granted to the Group. During the year ended 31 March 2015, all of the Group's borrowings were settled and the charges were released.

17. PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Analysed for reporting purposes as:		
– Non-current assets	–	7,717
– Current assets	–	551
	–	8,268

The Group's prepaid lease payments are amortised on a straight-line basis over the terms of the leases or 50 years, whichever is shorter.

As at 31 March 2014, the Group's prepaid lease payments of approximately HK$8,268,000 are held under medium-term land use rights in the PRC. In addition, as at 31 March 2014, the prepaid lease payments with the carrying amount of approximately HK$4,462,000 were pledged as securities for the bank borrowing granted to the Group. During the year ended 31 March 2015, all of the Group's prepaid lease payments were disposed and the related borrowing was fully settled and the charge was released.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

18. INVESTMENT PROPERTIES

	HK$'000
Cost	
As at 1 April 2013	19,830
Disposals	(8,814)
Exchange adjustments	286
As at 31 March 2014	11,302
Exchange adjustments	131
As at 31 March 2015	11,433
Accumulated depreciation	
As at 1 April 2013	2,272
Charge for the year	813
Eliminated on disposals	(892)
Exchange adjustments	19
As at 31 March 2014	2,212
Charge for the year	293
Exchange adjustments	27
As at 31 March 2015	2,532
Carrying amounts	
As at 31 March 2015	8,901
As at 31 March 2014	9,090

The Group's investment properties are depreciated on a straight-line basis over the terms of the leases.

As at 31 March 2015, the Group's investment properties of approximately HK$8,901,000 (2014: HK$9,090,000) are erected on land held under medium-term land use rights in the PRC.

The fair values of the Group's investment properties were approximately HK$20,560,000 (2014: HK$20,325,000) according to the valuation performed by an independent professional qualified valuer, Avista Valuation Advisory Limited ("Avista"), on an open market basis. Avista has staff with recent experience in the location and type of property being valued. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions.

The valuation of the Group's investment properties is classified as Level 2 of the fair value hierarchy. There were no transfers into or out of Level 2 during the year.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

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For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

19. INTANGIBLE ASSETS

	Trademarks HK$'000	Licence rights HK$'000	Total HK$'000
At cost			
As at 1 April 2013, 31 March 2014 and **31 March 2015**	1,840	14,048	15,888
Accumulated amortisation and impairments			
As at 1 April 2013	593	14,048	14,641
Impairment loss recognised in profit or loss	1,247	–	1,247
As at 31 March 2014 and **31 March 2015**	1,840	14,048	15,888
Carrying amount			
As at 31 March 2015	–	–	–
As at 31 March 2014	–	–	–

The Group's licence rights with finite useful lives are amortised on a straight-line basis over period of the licence of three years.

The trademarks related to the Group's brand name are considered to have indefinite useful lives which were fully impaired in prior years.

20. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognised and the movements thereon, during the current and prior years.

	Accelerated tax depreciation HK$'000	Unrealised gains/ losses and impairment losses on inventories HK$'000	Total HK$'000
As at 1 April 2013	(7)	(1,727)	(1,734)
(Credited) charged to profit or loss *(Note 14)*	(410)	1,727	1,317
Disposals of subsidiaries *(Note 31(a))*	(63)	–	(63)
As at 31 March 2014	**(480)**	–	**(480)**
Charged to profit or loss *(Note 14)*	**463**	–	**463**
Disposals of subsidiaries *(Note 31(b)(ii))*	**(46)**	–	**(46)**
As at 31 March 2015	**(63)**	–	**(63)**

20. DEFERRED TAXATION *(continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**(63)**	(628)
Deferred tax liabilities	**–**	148
	(63)	(480)

As at 31 March 2015, the Group has deductible temporary difference of approximately HK$455,000 (2014: HK$50,396,000) in respect of trade and other receivables. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit will be available which the deductible temporary differences can be utilised.

As at 31 March 2015, the Group has unused tax losses of approximately HK$334,184,000 (2014: HK$449,479,000) available for offsetting against future profits. No deferred tax assets have been recognised as certain entities of the Group have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses may be carried forwards indefinitely except for those tax losses amounted to approximately HK$185,532,000 (2014: HK$328,074,000) that will expire in the coming few years.

21. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**–**	3,510
Work in progress	**–**	5,983
Finished goods	**3,515**	3,371
	3,515	12,864

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Trade receivables		**20,980**	34,701
Less: Allowances		**(17,677)**	(10,240)
Trade receivables, net	*a*	**3,303**	24,461
Rental deposits		**2,250**	3,346
Advances to suppliers		**–**	11,760
Advances to staff	*b*	**804**	1,172
Receivable from disposals of subsidiaries *(Note 31)*		**100**	2,411
Prepayments and other receivables		**12,697**	7,461
		15,851	26,150
		19,154	50,611
Analysis for reporting purposes as:			
– Non-current assets		**–**	954
– Current assets		**19,154**	49,657
		19,154	50,611

Notes:

a. **Trade receivables**

Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods. No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer.

The Group generally allows an average credit period of 30 to 90 days to its customers. The aging analysis of the Group's trade receivables presented (net of allowances) based on invoice date as at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2015 HK$'000	2014 HK$'000
0 – 30 days	**308**	9,199
31 – 60 days	**–**	2,342
61 – 90 days	**2,837**	4,246
Over 90 days	**158**	8,674
	3,303	24,461

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

a. Trade receivables *(continued)*

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

	2015 HK$'000	2014 HK$'000
Less than 3 months past due	–	6,816
3 to 6 months past due	–	2,931
Over 6 months past due	158	3,370
	158	13,117

Movements of the Group's allowances for doubtful debts during the two years are as follows:

	2015 HK$'000	2014 HK$'000
As at 1 April	10,240	6,348
Allowances	7,427	3,908
Disposals of subsidiaries	–	(24)
Exchange adjustments	10	8
As at 31 March	17,677	10,240

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining past due receivables as, in the opinion of the Directors, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

Furthermore, in the opinion of the Directors, there has not been a significant change in credit quality of the Group's trade receivables which are neither past due nor impaired and the amounts are still considered recoverable based on the historical experience.

b. Advances to staff

Advances to staff are unsecured, interest free and repayable on demand.

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23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Particulars of amounts due from related companies are as follows:

	2015 HK$'000	Maximum amount outstanding during the year HK$'000	2014 HK$'000	Maximum amount outstanding during the year HK$'000
Great China Jewellery International Limited ("Great China") *(Note)*	–	120	120	120
Gain Win Holdings Limited ("Gain Win") *(Note)*	–	9	9	9
	–	129	129	129

Particulars of amount due to a related company are as follows:

	2015 HK$'000	2014 HK$'000
Great China *(Note)*	–	(20)

The amounts due from (to) related companies are unsecured, interest free and repayable on demand.

Note: Ms. Yip Ying Kam was the common director of Great China, Gain Win and the Group until 13 April 2014. As she was resigned as a director on 13 April 2014, Great China and Gain Win were no longer related parties of the Group.

24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Pledged bank deposits	–	999
Cash and cash equivalents	122,822	10,718
	122,822	11,717

As at 31 March 2015, the Group's bank balances carry interest at market rates ranged from 0.01% to 0.35% per annum (2014: 0.01% to 0.6% per annum).

The pledged bank deposits were secured for the banking facilities, which the banks provide bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

The Group's cash and cash equivalents denominated in RMB is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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25. TRADE AND OTHER PAYABLES

	Notes	2015 HK$'000	2014 HK$'000
Trade payables	*a*	**4,094**	6,035
Receipts in advance		**6,430**	4,491
Value added tax and other tax payables		**13**	2,490
Payrolls and staff cost payables		**819**	9,098
Advances from third parties	*b*	**–**	4,000
Other payables		**14,438**	11,370
		25,794	37,484

Notes:

a. Trade payables

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit term of 30 days (2014: 30 days).

The aging analysis of the Group's trade payables presented based on invoice date as at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**1,083**	4,844
3 to 6 months	**–**	347
More than 6 months but less than 1 year	**–**	510
Over 1 year	**3,011**	334
	4,094	6,035

b. Advances from third parties

As at 31 March 2014, the advances from third parties represented advances granted by two independent third parties and the amounts were unsecured, interest free and were fully settled during the year ended 31 March 2015.

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26. BORROWINGS

	2015 HK$'000	2014 HK$'000
Secured borrowings from:		
– Bank		
– Current portion for repayment within one year	–	4,200
– Non-current portion for repayment after one year, which contains a repayment on demand clause	–	3,150
	–	7,350
– Others – repayable within one year	–	19,000
	–	26,350
Analysed for reporting purposes as:		
– Current liabilities	–	26,350

As at 31 March 2014, the bank borrowing contains a clause which gives the lender the right to demand repayment without notice or with notice period of less than 12 months at its sole discretion and therefore, the non-current portion of the bank loans is classified as a current liability. During the year ended 31 March 2015, all of the Group's borrowings were fully settled.

As at 31 March 2014, the Group's borrowings carry interest rates at the following rates per annum:

Particulars	Effective interest rates	HK$'000
Variable-rates bank borrowings	6.765% – 7.315% per annum	7,350
Fixed-rates other borrowings	10% per annum	19,000

As at 31 March 2014, the Group has pledged certain buildings and prepaid lease payments with net carrying amounts of approximately HK$13,456,000 and HK$4,462,000 respectively to secure borrowings granted to the Group. In addition, Mr. Tse, one of the Directors of the Group, has provided personal guarantee to the extent of HK$19,000,000 to secure the other borrowings granted to the Group.

During the year ended 31 March 2015, all of the Group's borrowings were fully settled.

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27. SHARE CAPITAL

	2015 Number of shares '000	2015 Amount HK$'000	2014 Number of shares '000	2014 Amount HK$'000
Ordinary shares of HK$0.01 each (2014: HK$0.10 each)				
Authorised:				
As at 1 April	**3,000,000**	**300,000**	3,000,000	300,000
Share Consolidation	**(1,500,000)**	**–**	–	–
Capital Reduction	**–**	**(285,000)**	–	–
Share Subdivision	**28,500,000**	**285,000**	–	–
As at 31 March	**30,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
As at 1 April	**1,237,320**	**123,732**	1,237,320	123,732
Share Consolidation	**(618,660)**	**–**	–	–
Capital Reduction	**–**	**(117,545)**	–	–
Issue of shares in respect of Open Offer	**1,855,980**	**18,559**	–	–
As at 31 March	**2,474,640**	**24,746**	1,237,320	123,732

The movements of the authorised and issued share capital of the Company during the current and prior years are as follows:

a. Capital reorganisation (the "Capital Reorganisation")

Pursuant to the special resolution of the Company's shareholders at its special general meeting on 17 November 2014, the Capital Reorganisation, involving the share consolidation (the "Share Consolidation"), the capital reduction (the "Capital Reduction"), the share subdivision (the "Share Subdivision") and the elimination of accumulated losses (the "Elimination of Accumulated Losses") were approved by the shareholders of the Company and the details are as follows:

i. Share Consolidation

The consolidation of every two existing shares of nominal value of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of nominal value of HK$0.20 (the "Consolidated Share"). Prior to the Share Consolidation, there were 1,237,320,323 existing shares in issue and fully paid. On the basis of such issued share capital, there were 618,660,161 Consolidated Shares in issue at nominal value of HK$0.20 and were fully paid following the Share Consolidation.

ii. Capital Reduction

The issued share capital of the Company was reduced by the cancellation of: (a) the paid-up capital of the Company to the extent of HK$0.19 on each Consolidated Share such that the nominal value of each issued Consolidated Share was reduced from HK$0.20 to HK$0.01 of the Company; and (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation.

27. SHARE CAPITAL *(continued)*

a. Capital reorganisation (the "Capital Reorganisation") *(continued)*

iii. Share Subdivision

Immediately following the Share Consolidation and the Capital Reduction, each authorised but unissued Consolidated Share of nominal value of HK$0.20 (including all those arising from the Capital Reduction) was subdivided into twenty new shares of HK$0.01 each (the "New Share").

iv. Elimination of Accumulated Losses

Based on 1,237,320,323 existing shares in issue as at the date prior to the Share Consolidation and the Capital Reduction, the credit arising from the Capital Reduction of approximately HK$117,545,000 was transferred to the contributed surplus account of the Company. Subsequently, the whole sum of approximately HK$117,545,000 in the contributed surplus account was applied to set off against part of the accumulated losses of the Company as at 31 March 2014.

b. Issue of shares in respect of Open Offer

Pursuant to the ordinary resolution of the Company's independent shareholders at its special general meeting on 17 November 2014, the open offer (the "Open Offer") was approved by the independent shareholders of the Company whereby the Company issued 1,855,980,483 offer shares (the "Offer Shares") at the subscription price of HK$0.10 per Offer Share on the basis of three Offer Shares for every one New Share at the nominal value of HK$0.01 each of the Company to the then existing shareholders of the Company. On 16 December 2014, the Company completed its Open Offer. The net proceeds from the Open Offer, after deducting directly attributable costs of approximately HK$2.6 million were approximately HK$183 million.

Details of the Capital Reorganisation and Open Offer were disclosed in the Company's announcement dated 23 September 2014, 17 November 2014, 18 November 2014, 27 November 2014 and 18 December 2014, the Company's circular dated 24 October 2014 and the Company's prospectus dated 27 November 2014, respectively.

All the new shares issued during the two years ended 31 March 2014 and 31 March 2015 rank pari passu with the then existing shares of the Company in all respects.

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28. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. For member of the MPF Scheme, the Group contributes 5% or HK$1,500 in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the current and prior years are disclosed in Note 11 to the consolidated financial statements.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant upon payment of HK$1 per grant of option. Options may generally be exercised at any time during the period after the options have been granted, such period to expire not later than 10 years after the date of the grant of the options. The subscription price for shares will not be less than the higher of (i) the closing price of the Company's shares on the date of options granted; (ii) the average closing price of the Company's shares for the 5 business days immediately preceding the date of options granted; and (iii) the nominal value of the Company's share.

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29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The movements of the options granted during the current and prior years are as follows:

						Number of share options					
Name of category of participant	Particulars	Date of grant	Exercise price HK$	Exercise price after adjustment HK$	Exercise period	Outstanding as at 1 April	Adjustment due to Share Consolidation and Open Offer	Granted during the year	Lapsed during the year	Reclassification *(Note b)*	Outstanding as at 31 March
Year ended 31 March 2014											
Directors											
Ms. Yip Ying Kam	Tranche H *(note (a))*	24 February 2012	0.222	N/A	24 February 2012 to 23 February 2015	6,000,000	–	–	–	–	6,000,000
	Tranche I *(note (a))*	24 February 2012	0.222	N/A	24 February 2015 to 23 February 2018	6,000,000	–	–	–	–	6,000,000
Mr. Tse Hoi Chau	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	–	–	12,000,000	–	–	12,000,000
Mr. Lin Shao Hua	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	–	–	12,000,000	–	–	12,000,000
Employees	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	–	–	24,000,000	–	–	24,000,000
Others – Consultants	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	–	–	60,000,000	–	–	60,000,000
						12,000,000	–	108,000,000	–	–	120,000,000
Weighted average exercise prices						0.222	N/A	0.2618	N/A	N/A	0.2578

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29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The movements of the options granted during the current and prior years are as follows:

						Number of share options					
Name of category of participant	Particulars	Date of grant	Exercise price HK$	Exercise price after adjustment# HK$	Exercise period	Outstanding as at 1 April	Adjustment due to Share Consolidation and Open Offer#	Granted during the year	Lapsed during the year	Reclassification *(Note b)*	Outstanding as at 31 March
Year ended 31 March 2015											
Directors											
Ms. Yip Ying Kam	Tranche H *(note (a))*	24 February 2012	0.222	N/A	24 February 2012 to 23 February 2015	6,000,000	-	-	(6,000,000)	-	-
	Tranche I *(note (a))*	24 February 2012	0.222	N/A	24 February 2015 to 23 February 2018	6,000,000	-	-	(6,000,000)	-	-
Mr. Tse Hoi Chau	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	12,000,000	(5,328,600)	-	-	-	6,671,400
Mr. Lin Shao Hua	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	12,000,000	(5,328,600)	-	-	-	6,671,400
Employees	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	24,000,000	(10,657,200)	-	-	(6,671,400)	6,671,400
Others											
– Consultants	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	60,000,000	(26,643,000)	-	-	-	33,357,000
– Others	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	-	-	-	-	6,671,400	6,671,400
						120,000,000	(47,957,400)	-	(12,000,000)	-	60,042,600
Weighted average exercise prices						0.2578	0.4709	N/A	0.222	0.4709	0.4709

Following the Share Consolidation and Open Offer on 17 November 2014 and 16 December 2014, respectively, the exercise price of the outstanding share options was adjusted from HK$0.2618 to HK$0.4709. The numbers of share options were also adjusted as a result of the Share Consolidation and the Open Offer.

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29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

Notes:

a. Pursuant to the Company's announcement dated 14 March 2014, Ms. Yip Ying Kam has tendered her resignation as executive director and vice chairman of the Company and also as director of all subsidiaries of the Company in which she was a director, which has become effective on 13 April 2014 and accordingly, the 12,000,000 share options granted to Ms. Yip Ying Kam were lapsed and recognised as reversal of share-based payments expense of HK$1,146,000 (2014: Nil) upon the lapsed of such share options in the consolidated statement of changes in equity subsequently.

   The options outstanding granted on 24 February 2012 had an exercise price of HK$0.222 as at 31 March 2014 and a weighted average remaining contractual life of 2.40 years. As at 31 March 2015, after resignation of Ms. Yip Ying Kam, there were no options outstanding granted on 24 February 2012.

b. An employee was granted 12,000,000 share options during the year ended 31 March 2014. As the employee was resigned as an employee during the year ended 31 March 2015 and the respective share options are reclassified from the category of employees to others.

c. Pursuant to the Company's announcement on 28 March 2014, a total of 108,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants, including the directors and employees of the Company and the consultants under the share option scheme adopted by the Company on 23 April 2008. Details of the share options granted are as follows:

Date of grant:	28 March 2014
Exercise price of share options granted:	HK$0.2618 per share
Number of share options granted:	108,000,000 share options
Closing price of the share on the date of grant:	HK$0.231
Exercise periods	28 March 2014 to 27 March 2019

   Each of the share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK$0.2618 per share, which represents the higher of (i) the closing price of HK$0.231 per share as stated in the daily quotations sheet issued by the Stock Exchange on 28 March 2014, being the date of grant (the "Date of Grant"); (ii) the average closing price of HK$0.2618 per share as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the share of HK$0.10 each in the capital of the Company.

   As at 31 March 2015, the options outstanding granted on 28 March 2014 had an exercise price of HK$0.4709 (after the adjustment of Share Consolidation and Open Offer) (2014: HK$0.2618) and a weighted average remaining contractual life of 3.99 years (2014: 4.99 years).

No share options were exercised during the current and prior years. Each option holder is entitled to subscribe for one ordinary share in the Company.

The Company did not recognised any share-based payment expenses during the year ended 31 March 2015. During the year ended 31 March 2014, share-based payment expenses of approximately HK$13,840,000 has been included in the consolidated statement of profit or loss for the year ended 31 March 2014 which gave rise to a share-based payment capital reserve and details are summarised as following:

i. During the year ended 31 March 2014, the fair value of the share options granted to the directors and employees of the Company was estimated at approximately HK$5,740,000. The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

ii. During the year ended 31 March 2014, the fair value of the share options granted to the consultants was estimated to approximately HK$8,100,000. In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the service received from the consultants was measured indirectly by reference to the fair value of the share option granted to the consultants and accordingly, the fair value was estimated at approximately HK$8,100,000.

The fair values of share options granted during the year ended 31 March 2014 were determined by the Directors with reference to a valuation performed by an independent valuer, Avista.

No liabilities were recognised due to these equity-settled share-based payment transactions.

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29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

Notes: (continued)

The estimates of the fair values of the share options granted which are existed during the year was measured based on the binomial option pricing model. The inputs into the model were as follows:

Granted on	24 February 2012	24 February 2012	28 March 2014
Tranche	H	I	J
Fair value per share option at measurement date			
– Directors	HK$0.098	HK$0.134	HK$0.120
– Employees	N/A	N/A	HK$0.108
– Consultants	N/A	N/A	HK$0.135
Exercise price	HK$0.222	HK$0.222	HK$0.2618
Expected volatility	69.56%	71.76%	74.3%
Expected option period	3 years	6 years	5 years
Risk-free rate (based on Hong Kong Exchange Fund Notes)	0.350%	0.790%	1.474%
Expected dividend yield	0%	0%	0%

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

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

As at 31 March 2015, the Company had 60,042,600 (2014: 120,000,000) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options under the present capital structure of the Company, would result in issue of 60,042,600 (2014: 120,000,000) additional ordinary shares of the Company and additional share capital of HK$600,426 (2014: HK$12,000,000) and share premium of approximately HK$27,673,000 (2014: HK$18,938,000) (before the issue expenses).

30. OTHER COMMITMENTS

a. Operating leases

The Group as lessee

	2015 HK$'000	2014 HK$'000
Minimum lease payments paid under operating leases during the year in respect of office premises, shops and Directors' quarters	**9,726**	19,627

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**4,169**	9,006
In the second to the fifth years, inclusive	**3,644**	10,563
	7,813	19,569

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30. OTHER COMMITMENTS *(continued)*

a. Operating leases *(continued)*

The Group as lessee (continued)

Operating lease payments represent rentals payable by the Group for the Group's office premises, shops and Directors' quarters. Leases are negotiated for lease terms ranging from one to four years (2014: one to three years) at inception, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 HK$'000	2014 HK$'000
Within one year	234	226
In the second to the fifth years, inclusive	550	775
	784	1,001

Certain of the Group's properties held for rental purposes, with a carrying amount of approximately HK$7,922,000, have been disposed of in 2014. The remaining properties are expected to generate rental yields of 2.3% (2014: 2.5%) on an ongoing basis. All of the properties held have committed tenants for the next 1 to 3 years (2014: 1 to 4 years)

b. Capital commitments

At the end of the reporting period, the Group had the following outstanding capital commitments:

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment that are contracted for but not provided in the consolidated financial statements	3,470	3,586

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For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

31. DISPOSAL OF SUBSIDIARIES

a. Disposal of subsidiaries during the year ended 31 March 2014

On 25 March 2014, the Company entered into a sale and disposal agreement with an independent third party and pursuant to which, the Company disposed of the entire/remaining equity interests in certain subsidiaries, namely Techjoy Limited, Artist Empire Gifts & Premium Mfy Limited, Artist Empire International Group Company Limited, Artplus Investment Limited, Hanberg (HK) Limited, Q'ggle Company Limited, Q'ggle Lingerie Company Limited and Elili Int'l Company Limited, which are inactive during the year (collectively referred to as the "Disposed Companies") to the third party for a total consideration of approximately HK$2,411,000, which was recorded as a receivable as at 31 March 2014 and the amount was fully settled during the year ended 31 March 2015.

Consideration transferred

	HK$'000
Consideration recorded as receivable as at 31 March 2014 and was fully settled during the year ended 31 March 2015 *(Note 22)*	2,411

The net assets of the Disposed Companies disposed of during the year were as follows:

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	640
– Deferred tax assets	7
– Trade and other receivables	1,914
– Amounts due from group companies	55,431
– Cash and cash equivalents	893
– Trade and other payables	(1,533)
– Amounts due to group companies	(94,657)
– Obligations under finance leases	(288)
– Deferred tax liabilities	(70)
Total identifiable net liabilities disposed of	(37,663)
Non-controlling interests	(241)
Other reserves	665
Cumulative exchange differences in respect of the net assets of the Disposed Companies reclassified from equity to profit or loss upon the disposals of the Disposed Companies	(50)
Waiver of amounts due from/to Disposed Companies – net	39,226
Gains on disposals of subsidiaries	474
Total consideration received	2,411

Net cash outflow arising on the disposals of the Disposed Companies

	HK$'000
Cash consideration	–
Less: Cash and cash equivalents disposed of	(893)
	(893)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015 | (Expressed in Hong Kong dollars)

31. DISPOSAL OF SUBSIDIARIES *(continued)*

b. Disposal of subsidiaries during the year ended 31 March 2015

(i) Disposal of TCK Company Limited ("TCK")

On 9 October 2014, the Group entered into a sale and disposal agreement with Celestial Elite Investments Limited ("Celestial Elite") and pursuant to which, the Group disposed of the entire equity interests in TCK to Celestial Elite for a consideration of HK$16,257,000 (the "TCK Disposal"). Celestial Elite is a private limited liability company incorporated in Samoa and is wholly owned by Mr. Tse Hoi Chau ("Mr. Tse"), the Chairman, an executive director and a controlling shareholder of the Company. TCK is a private limited liability company incorporated in the British Virgin Islands which was a former wholly owned subsidiary of the Company. 超群(海豐)首飾廠有限公司 (Artist Empire (Hai Feng) Jewellery Mfy. Limited, "Artist Hai Feng") is a private limited liability company incorporated in the PRC which is a wholly owned subsidiary of TCK. TCK and Artist Hai Feng are collectively referred to as the TCK Group. The TCK Group had been responsible for the manufacture and sale of the Group's own brand fashion accessories for customers. The Directors consider that the business environment for the manufacture and sale of fashion accessories has been competitive in the past few years and TCK Group has recorded losses for the past three years. Accordingly, the Directors consider that the disposal of TCK Group will enhance the Company to reallocate its resources to expand the existing accessories retailing business and retailing business for other types of products with higher growth potential. The completion of the TCK Disposal took place on 29 December 2014.

Details of the TCK Disposal were disclosed in the Company's announcement dated 9 October 2014, 18 November 2014 and 29 December 2014 and the Company's circular dated 30 October 2014, respectively.

Consideration transferred

	HK$'000
Consideration received	16,257

The net assets of the TCK Group disposed of during the year were as follows:

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	10,433
– Prepaid lease payments	7,948
– Inventories	2,833
– Trade and other receivables	3,221
– Amounts due from group companies	179,997
– Cash and cash equivalents	466
– Trade and other payables	(25,412)
– Tax liabilities	(1,872)
– Amounts due to group companies	(345,021)
Total identifiable net liabilities disposed of	(167,407)
Cumulative exchange differences in respect of the net assets of TCK Group reclassified from equity to profit or loss upon the disposals of TCK Group	(21,579)
Waiver of amounts due from/to TCK Group – net	165,024
Gains on disposals of subsidiaries	40,219
Total consideration received	16,257

Net cash inflow arising on the disposals of the TCK Group

	HK$'000
Cash consideration	16,257
Less: Cash and cash equivalents disposed of	(466)
	15,791

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31. DISPOSAL OF SUBSIDIARIES *(continued)*

b. Disposal of subsidiaries during the year ended 31 March 2015 *(continued)*

(ii) Disposal of Artist Empire Jewellery Enterprise Co. Ltd. ("AEL")

On 29 August 2014, the Group entered into a sale and disposal agreement with an independent third party and pursuant to which, the Group disposed of the entire equity interests in AEL for a consideration of HK$100,000. AEL is a private limited liability company incorporated in Hong Kong which was a former wholly owned subsidiary of the Company. 寶華豐(深圳)貿易有限公司 (Bo-Wealth (Shenzhen) Trading Co. Ltd., "BWL") is a private limited liability company incorporated in the PRC which is a wholly owned subsidiary of AEL. AEL and BWL are collectively referred to as the AEL Group. The consideration was recorded as a receivable as at 31 March 2015.

Consideration transferred

	HK$'000
Consideration recorded as receivable *(Note 22)*	100

The net assets of the AEL Group disposed of during the year were as follows:

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	119
– Trade and other receivables	264
– Amounts due from group companies	168,569
– Cash and cash equivalents	1,851
– Trade and other payables	(1,286)
– Amounts due to group companies	(249,746)
– Deferred tax liabilities	(46)
Total identifiable net liabilities disposed of	(80,275)
Cumulative exchange differences in respect of the net assets of AEL Group reclassified from equity to profit or loss upon the disposals of AEL Group	105
Waiver of amounts due from/to AEL Group – net	81,177
Loss on disposals of subsidiaries	(907)
Total consideration recorded as receivable *(Note 22)*	100

Net cash outflow arising on the disposals of the AEL Group

	HK$'000
Cash consideration	–
Less: Cash and cash equivalents disposed of	(1,851)
	(1,851)

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32. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

a. Related parties of the Company

The management considers that the following entities are related parties of the Group:

Name of related parties	**Relationship with the Company**
Great China	Ms. Yip Ying Kam, a director of the Company, is also a director of Great China *(Note)*
Gain Win	Ms. Yip Ying Kam, a director of the Company, is also a director of Gain Win *(Note)*

Note: Ms. Yip Ying Kam was resigned on 13 April 2014 (see Note 12) and accordingly, Great China and Gain Win were no longer related parties of the Group.

b. Transaction with related parties

Saved as disclosed in these consolidated financial statements, in the opinion of the Directors, during the year, the Group had the following transactions with a related party:

	2015 HK$'000	**2014 HK$'000**
Rental income receivable from Great China *(Note)*	**–**	220

The terms of transactions were determined and agreed between the Group and the counter party.

Note: Ms. Yip Ying Kam was the common director of Great China and the Group until 13 April 2014. As she was resigned on 13 April 2014, Great China was no longer related party of the Group.

On 1 May 2014, the Group obtained a long-term borrowing of HK$8,000,000 from Mr. Tse which was fully repaid during the year ended 31 March 2015. In addition, on 24 June 2014, Mr. Tse and the Company entered into the Deed of Undertaking whereby Mr. Tse agreed to provide or procure financial support to the Company and/or the Group commencing 24 June 2014 and until 30 June 2015.

c. Balances with related parties

Saved as disclosed in these consolidated financial statements, in the opinion of the Directors, the Group did not have any significant balances with the related parties as at the end of the reporting period.

d. Key management personnel remuneration

During the year ended 31 March 2015, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2015 HK$'000	**2014 HK$'000**
Salaries and other benefits	**6,061**	16,183
Retirement benefit scheme contributions	**57**	77
Share-based payments	**–**	4,444
	6,118	20,704

The remuneration of the key management personnel is determined with reference to the performance of individuals and market trends.

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33. RESTATEMENT OF COMPARATIVES

In prior years, the "gains (losses) on disposals of property, plant and equipment" and "net gains on disposals of subsidiaries" were classified under "other gains and losses". In the current year, the Directors have determined that the "gains (losses) on disposals of property, plant and equipment" and "net gains on disposals of subsidiaries" as two separate items in the consolidated statement of profit or loss. Accordingly, the comparatives of the consolidated statement of profit or loss are restated: "gains (losses) on disposals of property, plant and equipment" of approximately HK$279,000 and "net gains on disposals of subsidiaries" of approximately HK$474,000 were reclassified out of "other gains and losses".

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2015 HK$'000**	2014 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	*a*	**143,816**	84,903
CURRENT ASSETS			
Other receivables		**8,857**	236
Cash and cash equivalents		**48,374**	3,430
		57,231	3,666
CURRENT LIABILITIES			
Amounts due to subsidiaries		**17,202**	14,824
Other payables		**700**	948
Borrowings		**–**	19,000
		17,902	34,772
NET CURRENT ASSETS (LIABILITIES)		**39,329**	(31,106)
NET ASSETS		**183,145**	53,797
CAPITAL AND RESERVES			
Share capital		**24,746**	123,732
Reserves	*b*	**158,399**	(69,935)
TOTAL EQUITY		**183,145**	53,797

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

a. **Interests in subsidiaries**

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost and fair value of share options granted to employees of subsidiaries	158,613	163,885
Amounts due from subsidiaries	372,701	590,444
Less: Impairments	(387,498)	(669,426)
	143,816	84,903

During the year ended 31 March 2015, a number of the Company's subsidiaries had sustained losses and had net liabilities as at 31 March 2015. The Company assessed the Company's investments in subsidiaries and the recoverable amounts of the amounts due from subsidiaries. The estimated recoverable amounts were determined based on the estimated future cash flows to be generated from these subsidiaries.

Movements of the impairments during the two years are as follows:

	2015 HK$'000	2014 HK$'000
As at 1 April	669,426	589,138
Allowances	61,792	80,288
Disposals of subsidiaries	(325,319)	–
Reversal of provision for impairment	(18,401)	–
As at 31 March	387,498	669,426

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

b. Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000 *(note below)*	Share-based payment capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2013	549,974	133,424	878	(669,885)	14,391
Loss and total comprehensive expense for the year	–	–	–	(98,166)	(98,166)
Recognition of equity-settled share-based payments	–	–	13,840	–	13,840
As at 31 March 2014	549,974	133,424	14,718	(768,051)	(69,935)
Loss and total comprehensive expense for the year	–	–	–	(53,699)	(53,699)
Capital Reduction *(Note 27)*	–	–	–	117,545	117,545
Issue of shares in respect of Open Offer *(Note 27(b))*	167,039	–	–	–	167,039
Transaction costs attributable to the issue of shares *(Note 27(b))*	(2,551)	–	–	–	(2,551)
Lapsed of share options *(Note 29)*	–	–	(1,146)	1,146	–
As at 31 March 2015	**714,462**	**133,424**	**13,572**	**(703,059)**	**158,399**

Note: The contributed surplus of the Company represented the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company at the time of the reorganisation of the Group in 2008.

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35. SIGNIFICANT SUBSEQUENT EVENTS

As at 31 March 2014, the Company had the following significant subsequent events:

(a) On 1 May 2014, the Group obtained a long-term borrowing of HK$8,000,000 from Mr. Tse which is repayable on 30 June 2015; and

(b) On 24 June 2014, Mr. Tse and the Company entered into the Deed of Undertaking whereby Mr. Tse agreed to provide or procure financial support to the Company and/or the Group commencing 24 June 2014 and until 30 June 2015.

36. SUBSIDIARIES

The following list contains the particular of the Company's subsidiaries, all are private limited liability company and the class of shares held is ordinary unless otherwise stated:

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company		Proportion of voting power held by the Company		Issued and fully paid-up/ registered capital	Principal activities
			2015	2014	**2015**	2014		
			%	%	**%**	%		
Directly held by the Company								
Artist Star International Development Limited	British Virgin Islands ("BVI")	Hong Kong	**100**	100	**100**	100	1,000 ordinary shares of US$1 each	Investment holding
Indirectly held by the Company								
Alfreda Int'l Co. Ltd	Macao	Macao	**100**	100	**100**	100	MOP$50,000	Inactive
Artini International Company Limited	Hong Kong	Hong Kong	**100**	100	**100**	100	300,000 ordinary shares of HK$1 each	Retailing of fashion accessories
Artini Sales Company Limited	Hong Kong	Hong Kong	**100**	100	**100**	100	10,000 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Enterprise Company Limited *(Note a)*	Hong Kong	Hong Kong	**-**	100	**-**	100	10,000 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Mfy. Limited	Hong Kong	Hong Kong	**100**	100	**100**	100	100 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire (Hai Feng) Jewellery Mfy. Limited *(Notes a and c)*	PRC	PRC	**-**	100	**-**	100	HK$102,600,000	Manufacturing and sale of fashion accessories
Artist Empire Silver Jewellery Mfy. Limited	Hong Kong	Hong Kong	**100**	100	**100**	100	10,000 ordinary shares of HK$1 each	Inactive
Arts Empire Macao Commercial Offshore Limited	Macao	Macao	**100**	100	**100**	100	MOP 200,000	Trading of fashion accessories and related raw materials
Bo-Wealth (Shenzhen) Trading Co. Ltd. *(Notes a and c)*	PRC	PRC	**-**	100	**-**	100	HK$1,500,000	Trading of fashion accessories
China Regent Investments Limited *(Note b)*	Hong Kong	Hong Kong	**100**	-	**100**	-	1 ordinary share of HK$1 each	Inactive

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36. SUBSIDIARIES *(continued)*

The following list contains the particular of the Company's subsidiaries, all are private limited liability company and the class of shares held is ordinary unless otherwise stated: *(continued)*

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company 2015 %	Percentage of equity attributable to the Company 2014 %	Proportion of voting power held by the Company 2015 %	Proportion of voting power held by the Company 2014 %	Issued and fully paid-up/ registered capital	Principal activities
Gain Trade Enterprise Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Investment holding
Gentleman Investments Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Investment holding
Guangzhou Artini Strategic Sales Company Limited *(Notes b and c)*	PRC	PRC	100	–	100	–	HK$4,010,000/ HK$20,000,000	Retailing of fashion accessories
Ho Easy Limited	BVI	Hong Kong	100	100	100	100	1 ordinary share of US$1 each	Investment holding
Instar International Company Limited	BVI	Hong Kong	100	100	100	100	100 ordinary shares of US$1 each	Investment holding
JCM Holding Company	BVI	Hong Kong	100	100	100	100	500 ordinary shares of US$1 each	Investment holding
Keon Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Provision of logistics services
King Erich International Development Limited	BVI	Hong Kong	100	100	100	100	300 ordinary shares of US$1 each	Investment holding
King Land Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Trading of fashion accessories and related raw materials
Riccardo International Trading Limited	BVI	Hong Kong	100	100	100	100	700 ordinary shares of US$1 each	Investment holding
Shenzhen Artini Hongli Enterprises Co., Ltd. *(Note c)*	PRC	PRC	100	100	100	100	HK$200,000,000	Retailing of fashion accessories
TCK Company Limited *(Note a)*	BVI	Hong Kong	–	100	–	100	100 ordinary shares of US$1 each	Trading of fashion accessories and related raw materials

Notes:

a. During the year ended 31 March 2015, the Company disposed of these entities.

b. During the year ended 31 March 2015, the Company incorporated these entities.

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

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

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