ARTINI

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 789)

ANNOUNCEMENT OF FINAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2014

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2014, together with comparative figures for the preceding financial year ended 31 March 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	3	**173,236**	191,218
Cost of sales		**(155,021)**	(147,388)
Gross profit		**18,215**	43,830
Other income	4	**1,262**	3,152
Other gains and losses	5	**(14,815)**	(7,607)
Selling and distribution expenses		**(30,589)**	(78,633)
Administrative expenses		**(78,305)**	(58,011)
Finance costs	6	**(1,346)**	(1,630)
Loss before tax	7	**(105,578)**	(98,899)
Income tax expense	9	**(2,742)**	(10,129)
Loss for the year		**(108,320)**	(109,028)
Attributable to:			
— Owners of the Company		**(108,299)**	(109,008)
— Non-controlling interests		**(21)**	(20)
Loss for the year		**(108,320)**	(109,028)
Loss per share	10		
— Basic *(HK$)*		**(0.088)**	(0.088)
— Diluted *(HK$)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(108,320)**	(109,028)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**1,658**	1,314
Release of translation reserve upon disposals of subsidiaries	**(50)**	—
	1,608	1,314
Total comprehensive expense for the year	**(106,712)**	(107,714)
Total comprehensive expense attributable to:		
— Owners of the Company	**(106,691)**	(107,694)
— Non-controlling interests	**(21)**	(20)
Total comprehensive expense for the year	**(106,712)**	(107,714)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**32,772**	48,434
Prepaid lease payments — non-current portion		**7,717**	8,182
Investment properties		**9,090**	17,558
Intangible assets		**—**	1,247
Deferred tax assets		**628**	2,159
Trade and other receivables — non-current portion	11	**954**	1,254
		51,161	78,834
CURRENT ASSETS			
Inventories		**12,864**	35,304
Trade and other receivables	11	**49,657**	51,075
Prepaid lease payments		**551**	547
Amounts due from related companies		**129**	—
Tax recoverable		**19**	970
Pledged bank deposits and cash and cash equivalents		**11,717**	52,456
		74,937	140,352
CURRENT LIABILITIES			
Trade and other payables	12	**37,484**	43,207
Amount due to a related company		**20**	—
Tax liabilities		**2,693**	2,328
Borrowings		**26,350**	20,708
Obligations under finance leases		**—**	379
		66,547	66,622
NET CURRENT ASSETS		**8,390**	73,730
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,551**	152,564
NON-CURRENT LIABILITIES			
Obligations under finance leases — non-current portion		**—**	288
Deferred tax liabilities		**148**	425
		148	713
NET ASSETS		**59,403**	151,851
CAPITAL AND RESERVES			
Share capital		**123,732**	123,732
Reserves		**(64,329)**	27,857
Equity attributable to owners of the Company		**59,403**	151,589
Non-controlling interests		**—**	262
TOTAL EQUITY		**59,403**	151,851

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 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 Group is principally engaged in the design, manufacture, retailing and distribution and concurrent design manufacturing ("CDM") of fashion accessories.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

The Group has applied for the first time in the current year the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the above new or 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 and revised standards adopted by and relevant to the Group

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impacts of the application of these standards that are relevant to the Company are as follows:

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) — 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 as to whether or not the Group has control over the investees in accordance with the new definition of control and the related guidance set out in HKFRS 10, and concluded that the application of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

Under the amendments to HKAS 1, a "income statement" is renamed as "statement of profit or loss" and a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 January 2016

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3. 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. The Group's reportable and operating segments are 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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Retailing and Distribution					
	Mainland China	Hong Kong and Macao	Sub-total	CDM Sales	Eliminations/ unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2013						
Revenue						
External sales	32,297	12,185	44,482	146,736	—	191,218
Internal sales	—	—	—	13,081	(13,081)	—
Segment revenue	32,297	12,185	44,482	159,817	(13,081)	191,218
Results						
Segment Results	(51,741)	(11,676)	(63,417)	14,930	3,842	(44,645)
Unallocated expenses						(54,254)
Loss before tax						(98,899)

	Retailing and Distribution					
	Mainland China	**Hong Kong and Macao**	**Sub-total**	**CDM Sales**	**Eliminations/ unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'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)**

The accounting policies of the above reportable and operating segments are the same as the Group's accounting policies.

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 HK$8,165,000 (2013: HK$13,081,000).

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.

4. OTHER INCOME

	2014 *HK$'000*	2013 *HK$'000*
Other income comprises of:		
Interest income	**45**	2,214
Licence fee	**105**	80
Rental income, less direct outgoing	**896**	511
Others	**216**	347
	1,262	3,152

5. OTHER GAINS AND LOSSES

	2014 *HK$'000*	2013 *HK$'000*
Other gains and losses comprise of:		
Net exchange gains	**982**	456
Net realised and unrealised losses on trading securities	**—**	(464)
(Losses) gains on disposals of property, plant and equipment	**(279)**	53
Written-off of property plant and equipment	**(13,600)**	—
Net gains on disposals of investment properties	**1,996**	—
Net gains on disposals of subsidiaries	**474**	—
Compensation for termination of licence fees	**—**	(800)
Impairment losses recognised in respect of trade receivables	**(3,908)**	(5,828)
Reversal of (impairment losses) recognised in respect of other receivables	**767**	(431)
Impairment losses recognised in respect of intangible assets	**(1,247)**	(593)
	(14,815)	(7,607)

6. FINANCE COSTS

	2014 *HK$'000*	2013 *HK$'000*
Finance costs comprise of:		
— Finance leases charge	**26**	56
— Interest on borrowings wholly repayable within five years	**1,320**	1,574
	1,346	1,630

7. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Staff costs (included directors' remuneration):		
Salaries, wages and other benefits	**62,250**	80,171
Share-based payment expenses for the Directors and employees	**5,740**	268
Contributions to defined contribution retirement plans	**3,363**	8,307
	71,353	88,746
Cost of inventories recognised as expenses, including impairment losses recognised in respect of inventories of approximately HK$20,989,000 (2013: HK$18,695,000)	**155,021**	147,388
Depreciation of property, plant and equipment	**7,360**	12,708
Depreciation of investment properties	**813**	428
Amortisation of prepaid lease payments	**539**	582
Amortisation of intangible assets, included in selling and distribution expenses	**—**	1,500
Share-based payment expenses for consultants	**8,100**	—
Auditor's remuneration	**700**	2,130
Operating leases charges in respect of office premises, shops and Director's quarters	**19,627**	29,877

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 March 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

9. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Current year	**(692)**	(519)
— Over (under) provision in respect of prior years	**247**	(88)
	(445)	(607)
PRC Enterprise Income Tax ("PRC EIT")		
— Under provision in respect of prior years	**(980)**	—
Deferred tax		
— Current year	**(1,317)**	(9,522)
Income tax expense	**(2,742)**	(10,129)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

Macao Complementary Tax is calculated at the maximum progressive rate of 12% (2013: 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% from 1 January 2008 onwards.

No provision for Macao Complementary Tax and PRC EIT has been made in the consolidated financial statements as the relevant group entities incurred tax losses.

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

10. 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$108,299,000 (2013: HK$109,008,000) and the weighted average number of 1,237,320,323 ordinary shares (2013: 1,237,320,323 ordinary shares) of the Company in issue during the year.

Diluted loss per share for the years ended 31 March 2014 and 31 March 2013 is not presented because the exercise of outstanding share options during the year have anti-dilutive effect on the basic loss per share.

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**34,701**	26,931
Less: Allowances	**(10,240)**	(6,348)
Trade receivables, net	**24,461**	20,583
Rental deposits	**3,346**	8,118
Advances to suppliers	**11,760**	18,919
Advances to staff	**1,172**	698
Receivable from disposal of subsidiaries	**2,411**	—
Other receivables	**7,461**	4,011
	26,150	31,746
	50,611	52,329
Analysis for reporting purposes as:		
— Non-current assets	**954**	1,254
— Current assets	**49,657**	51,075
	50,611	52,329

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 based on invoice date as at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**9,199**	7,145
31–60 days	**2,342**	2,302
61–90 days	**4,246**	1,709
Over 90 days	**8,674**	9,427
	24,461	20,583

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

	2014	2013
	HK$'000	*HK$'000*
Less than 3 months past due	**6,816**	3,823
3 to 6 months past due	**2,931**	3,419
Over 6 months past due	**3,370**	4,146
	13,117	11,388

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**6,035**	6,819
Receipts in advance	**4,491**	7,944
Value added tax and other tax payables	**2,490**	2,950
Payrolls and staff cost payables	**9,098**	13,064
Advances from third parties	**4,000**	—
Other payables	**11,370**	12,430
	37,484	43,207

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit term of 30 days (2013: 30 days).

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

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**4,844**	6,075
3 to 6 months	**347**	276
More than 6 months but less than 1 year	**510**	122
Over 1 year	**334**	346
	6,035	6,819

13. COMPARATIVE FIGURES

During the year, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2014 (the "Year"), the Group recorded a total turnover of approximately HK$173,236,000 (2013: HK$191,218,000), representing a decrease of 9.4% 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 profit was HK$18,215,000 (2013: HK$43,830,000), representing a decrease of 58.4% as compared with last year. During the Year, loss attributable to the owners of the Company was approximately HK$108,299,000 (2013: HK$109,008,000). Basic loss per share was HK$0.088 (2013: HK$0.088).

Retail Business

Due to the effective business plan, the results of the retailing business has been improved.

Although the China Economy become uncertain starting from the second half of 2013, our retailing sales in PRC was increased from approximately HK$32,297,000 in 2013 to approximately HK$39,180,000 in 2014, due to our strategic change in our new retailing business plan. As at 31 March 2014, the Group had a total of approximately 15 retail points (2013: 30 retail points) throughout the PRC and Hong Kong covering over 5 cities in the PRC. During the Year, the retail business recorded a turnover of HK$49,049,000 (2013: HK$44,482,000), accounting for approximately 28.3% of the Group's total turnover and representing an increase of 10.3% as compared with last year.

During the Year, the performance of retail business in the second half of the reporting period was stronger than the first half of the year. It was mainly due to the effectiveness of our business plan in retailing.

As at 31 March 2014, the number of VIP customers of "Artini" was 132,087, representing an increase of 11.1% 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

During the Year, the Group maintained close cooperation with internationally renowned brands to concurrently design and manufacture their branded products, and ultimately export and distribute these products worldwide. Such internationally renowned brands include Marks & Spencer, Disney, Vivienne Westwood, HSE24, Nautica, Guess, Debenhams and Tchibo.

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

During the Year, the export business was affected by the intense market competition in Hong Kong, the uncertain economic prospects in Europe, and the consequent drop in demand for imports. As a result, the Group's CDM business recorded a turnover of approximately HK$124,187,000 (2013: approximately HK$146,736,000), representing a 15.4% drop from the same period of last year and accounting for 71.7% of the total turnover.

The performance of CDM business in the second half of the reporting period was weaker than the first half of the year. It was driven by the decrease in the revenue during the second half of the year and the specific allowance for doubtful debts on trade receivables of approximately HK$3,908,000 had been recognised.

Prospects

In 2014, the "ARTINI" brand has undergone packaging upgrade and brand restructuring, and re-positioned itself as a light luxurious trendy jewelry and clubhouse brand. The upgraded brand "ARTINI" employs more advanced and diversified materials and supplies. Its overall design is comprised of environment-friendly alloys, silver, K gold, semiprecious stones and diamonds with more sophisticated and refined craftwork adopted, seeking to enhance the overall intrinsic value of the brand. In the first half of 2014, the upgraded brand "ARTINI" welcomed the grand opening of its first new store in Guiyang. The established retail stores will be revamped selectively and certain underperforming stores will be closed strategically in order to redeploy internal resources, streamline personnel structure and reduce expenditures, thereby lowering operating costs.

In future, the "ARTINI" brand will concentrate its resources on Guangzhou, Shenzhen and Hong Kong, strengthen channel expansion and initiate a new business model. The new business model will be operating on an O2O mode, which involves activating an e-commerce platform and closely integrating online and offline businesses. Real stores will be used to enhance physical experience and promote the convenient online sales.

Through consistently adopting the CRM plan and taking advantage of "WeChat", the new mode of communication, the Group managed to increase its connection and interaction with customers, thus attracting more customers to apply for membership and further enhancing their loyalty.

During the Period, the Group still maintained its approach of income expansion and cost saving by reducing unnecessary expenditures and costs, and restructured the CDM business to consolidate and enhance its core capabilities and competitiveness. Looking ahead, the management will devote more efforts to achieve the multi-channel development and the application of various business models for both retail and CDM businesses, so as to develop new customers and promote its business with the use of modern electronic means. The upgraded brand "ARTINI" is committed to creating more refined and quality fashionable accessories while striving to establish a unique "ARTINI Lifestyle" for Chinese ladies. It will incorporate living elements into the concept clubhouse of "ARTINI TIME" to build a trendy spot of shopping, leisure and experience and forge a fashionable and cultural cosmopolitan icon. Meanwhile, the brand will activate the full operation of e-commerce. On the one hand, the Group will use various channels to clean up its old stock; and on the other hand, it will employ multi-dimensional airborne to surface means to promote and market its products.

Looking ahead, the operating environment of the Group is expected to remain challenging. Nevertheless, we are optimistic about the prospects of the long-term development of the PRC and the global economy, and confident of the continued growth of the Group's operation and business over the medium to long term. The Group will continue to streamline our existing market and sale networks and conduct a detailed review on the current operation and business strategies of the Group, such as restructuring the Group's manufacturing facilities to enhance the leading position of the Group and lay a solid foundation for future development.

Financial Review

Turnover

Turnover of the Group for the year ended 31 March 2014 amounted to approximately HK$173,236,000, representing a decrease of 9.4% compared to the previous year.

CDM business

CDM business turnover recorded a year-on-year decrease of 15.4% to HK$124,187,000 during the year, accounting for 71.7% of the Group's total turnover (2013: 76.7%). This decrease was mainly due to the intense market competition.

Retail business

The retail business was one of the two major revenue generators for the year ended 31 March 2014, accounting for 28.3% of the Group's total turnover (2013: 23.3%). During the Year, turnover from our retail business increase 10.3% to HK$49,049,000. This increase was mainly due to the success of the strategic business plan.

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the American, the European, and Hong Kong and Macao markets, which accounted for 24.4%, 18.0%, 41.9% and 9.9% of the turnover respectively in 2014, compared to 17.0%, 17.7%, 48.0% and 10.0% in 2013.

Cost of sales

Cost of sales increased from approximately HK$147,388,000 of last year to approximately HK$155,021,000 for the year ended 31 March 2014, representing an increase of approximately 5.2%. This was mainly due to the increase in manufacturing cost.

Gross profit

The overall gross profit of the Group decreased from approximately HK$43,830,000 in 2013 to HK$18,215,000 for the year ended 31 March 2014, representing a decrease of 58.4%. The gross profit margin decreased from approximately 22.9% to approximately 10.5%. The decrease in gross profit margin was resulted from unavoidable increase in the manufacturing cost.

Operating expenses

Operating expenses for the year ended 31 March 2014 accounted for 62.9% of the Group's total sales, compared with 71.5% of last year. They mainly comprised selling and distribution costs as well as administrative outlays, all of which were effectively managed by the Group's reinforced management team along with strengthened internal oversight and process control.

Selling and distribution costs decreased from approximately HK$78,633,000 for the year ended 31 March 2013 to approximately HK$30,589,000 for the year ended 31 March 2014, representing a decrease of approximately HK$48,044,000. The reduction in selling and distribution costs was mainly attributable to the effective cost control policies implemented during the year.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs including Directors and executives. These expenses increased from approximately HK$58,011,000 for the year ended 31 March 2013 to approximately HK$78,305,000 for the year ended 31 March 2014, representing an increase of approximately HK$20,294,000.

During the year, other gains and loss increased to approximately HK$14,815,000 (2013: HK$7,607,000) mainly due to the loss on written-off of property, plant and equipment of approximately HK$13,600,000.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately HK$108,299,000 (2013: approximately HK$109,008,000) for the year ended 31 March 2014.

Income tax

During the year, the income tax expenses of the Group amounted to approximately HK$2,742,000 (2013: approximately HK$10,129,000). The change was mainly due to the write-down of deferred tax assets on temporary differences for the year ended 31 March 2014 amounted to approximately HK$137,000 compared to approximately HK$9,522,000 recognised for the year ended 31 March 2013.

Loss per share

The loss per share maintained at HK$0.088 for the years ended 31 March 2013 and 31 March 2014.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2014 (2013: HK$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 year, the exchange rate of Renminbi to Hong Kong dollars increased steadily. Accordingly, the Directors consider that the potential foreign exchange exposure of the Group is relatively limited. Moreover, the Group has not used any forward contracts or other derivative products to hedge interest rate or exchange rate risks. The management of the Group will, nonetheless, continue to monitor foreign currency risks and adopt prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities. During the year, the Group recorded net exchange gain of approximately HK$982,000 (2013: exchange gain of approximately HK$456,000).

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.

Impairment loss on intangible assets

For the year ended 31 March 2014, the impairment loss on intangible assets amounted to approximately HK$1,247,000 (2013: HK$593,000).

Impairment loss on trade and other receivables

At 31 March 2014, the Group made specific allowance for doubtful debts on trade receivables with amount approximately HK$3,908,000 (2013: HK$5,828,000). The individually impaired receivables related to a customer that was in financial difficulties and the management assessed that the prospect of recovery of the receivables was in doubt. The Group is taking necessary steps including negotiations and legal actions to seek the final settlement of this receivable.

Employees and emoluments

As at 31 March 2014, the Group had approximately 560 employees (2013: 1,000). To enhance their expertise, product knowledge, marketing skills and overall operational management abilities, the Group organises regular training and development courses for staff, providing them with a competitive remuneration package, including salary, allowance, insurance and commission/bonus. The Group also participated in retirement benefits schemes for its employees in Hong Kong and the PRC.

Liquidity and financial resources

During the year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2014, the borrowings of the Group amounted to HK$26,350,000, which were denominated in Hong Kong dollars and Renminbi, were secured by pledging of properties with carrying value of HK$13,456,000 (2013: HK$11,724,000) and were repayable within five years after the draw-down dates. As the loans contain a clause in its terms that gives the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it is classified as current liabilities even though the Directors did not expect that the bank would exercise their rights to demand repayment.

Apart from these loans from the financial institution, the Group has also obtained general banking facilities which were secured by legal charge over certain of its properties with an aggregate carrying value of HK$Nil (2013: HK$3,949,000) and cross corporate guarantee within the Group. At the end of the reporting period, the general banking facilities available to the Group amounted to HK$933,000 (2013: HK$219,000), which were utilised by the Group to the extent of HK$714,000 (2013: HK$179,000).

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 52.9% as at 31 March 2014 (2013: 30.7%). The Group had time deposits and cash balances as at 31 March 2014 amounting to approximately HK$11,717,000 (2013: approximately HK$52,456,000).

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 2014 (2013: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, the Company has complied with all the provisions in the CG Code during the year ended 31 March 2014 save as the deviation described below.

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.

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 2014.

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 2014 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 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawerence (Chairman), Mr. Lau Yiu Kit and Mr. Li Youhuan. 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 2014 and the interim financial report for the six months ended 30 September 2013.

SCOPE OF WORK OF ZHONGLEI (HK) CPA COMPANY LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this announcement have been agreed by the Group's auditor, ZHONGLEI (HK) CPA Company Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGLEI (HK) CPA Company Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGLEI (HK) CPA Company Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of the Group's annual results for the year ended 31 March 2014 is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.artini-china.com.

The 2014 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
Artini China Co. Ltd.
Tse Hoi Chau
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, the executive directors of the Company are Mr. Tse Hoi Chau (Chairman) and Mr. Lin Shao Hua; and the independent non-executive directors of the Company are Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Li Youhuan.