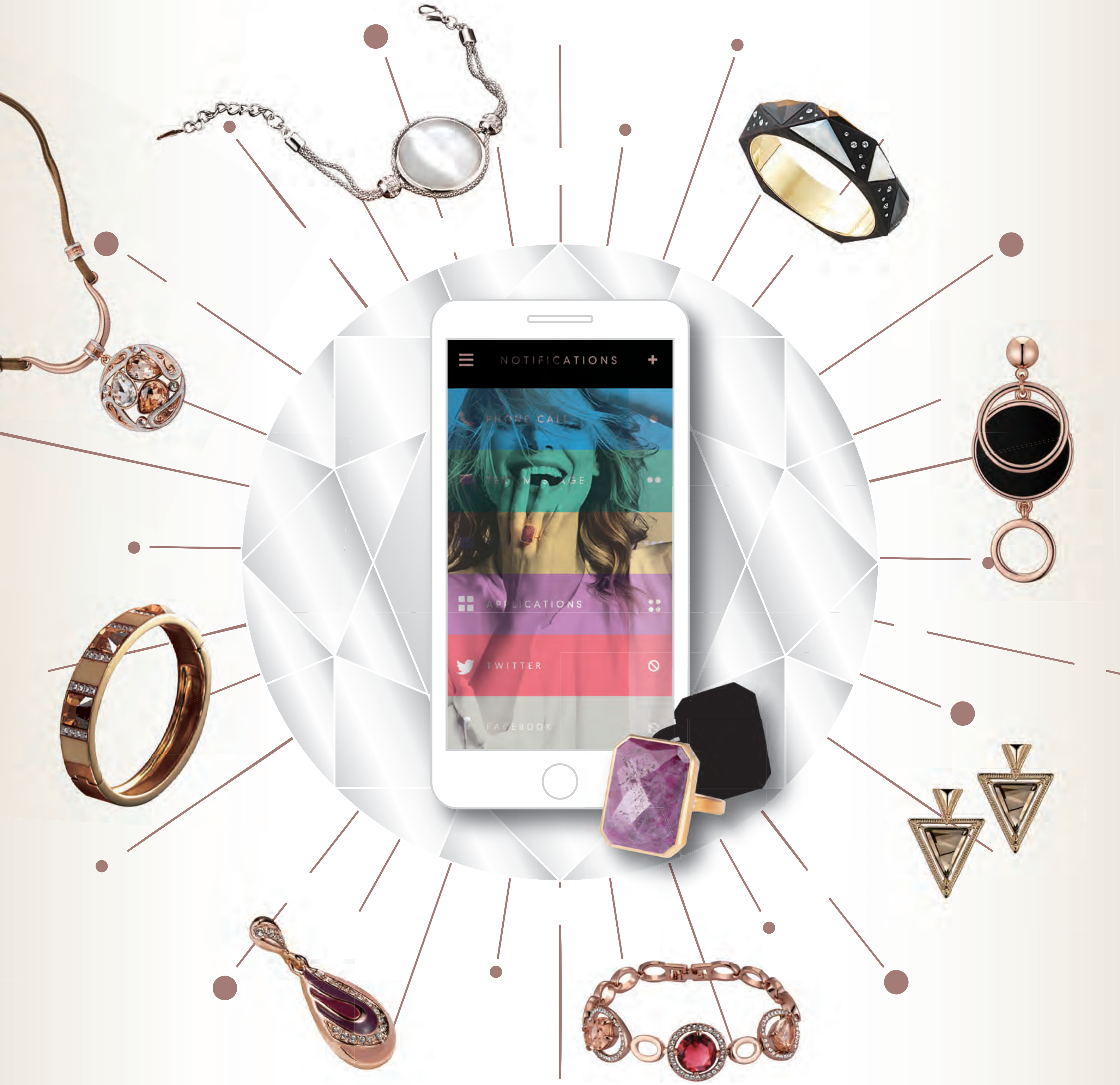
ARTINI
雅天妮

ARTINI CHINA CO. LTD. 雅天妮中國有限公司

（Incorporated in Bermuda with limited liability・於百慕達註冊成立的有限公司）
Stock Code 股份代號：789



2015/16

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

He Yun *(resigned on 23 April 2015)*

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

AUDIT COMMITTEE

Mr. Lau Fai Lawrence *(Chairman)*
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

REMUNERATION COMMITTEE

Mr. Zeng Zhaohui *(Chairman)*
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

COMPANY SECRETARY

Mr. Leung Ka Shing

AUTHORISED REPRESENTATIVES

Mr. Tse Hoi Chau
Mr. Leung Ka Shing

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

LEGAL ADVISERS

As to Hong Kong law

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

As to Bermuda law

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

AUDITOR

Asian Alliance (HK) CPA 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
Suite 3301-04, 33/F
Two Chinachem Exchange Squares
338 King's Road
North Point, HK

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 an online retail 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 focused on design to delivery, and boasted extensive experience in the fashion accessories industry.

Our brand, Artini, focuses on the gifts and premiums market and its products are mainly distributed in the PRC through online platforms. Further, the Group trades and sells its accessory products at the customer's chosen level of participation in the design process, where the Group concurrently works with the client in designing the products and coordinating the manufacturing process according to the customer's desired final design ("CDM").

As at 31 March 2016, the Group's retail network comprised 2 retailing points in the PRC (including online platform).

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				
	2016	2015	2014	2013	2012
Turnover	**46,907**	77,707	173,236	191,218	323,311
Gross profit (loss)	**1,572**	(18,688)	18,215	43,830	73,689
Loss from operations (Note 1 below)	**(100,009)**	(88,824)	(104,232)	(97,269)	(146,728)
Loss for the year	**(100,030)**	(90,990)	(108,320)	(109,028)	(144,291)
Non-current assets	**55,927**	10,571	51,161	78,834	104,452
Current assets	**50,789**	145,491	74,937	140,352	236,406
Current liabilities	**49,006**	25,953	66,547	66,622	79,998
Net current assets	**1,783**	119,538	8,390	73,730	156,408
Total assets less current liabilities	**57,710**	130,109	59,551	152,564	260,860
Total equity	**57,319**	130,109	59,403	151,851	260,172
Gross profit (loss) margin (%)	**3.4**	(24.1)	10.5	22.9	22.8
Net (loss) margin (%)	**(213.2)**	(117.1)	(62.5)	(57.0)	(44.6)
Basic and diluted loss per share (HK$) (Note 2 below)	**(0.040)**	(0.080)	(0.175)	(0.175)	(0.232)
Current ratio (X)	**1.04**	5.61	1.13	2.1	3.0
Return on equity (%)	**(174.5)**	(69.9)	(182.3)	(71.8)	(55.5)
Return on assets (%)	**(93.7)**	(58.3)	(85.9)	(49.7)	(42.3)

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 and 31 March 2012 has been restated due to a share consolidation of the Company which took place during the year ended 31 March 2015.

ARTINI

EMBRACES THE PHILOSOPHY OF LIFE PERFECTION, WHEREIN WE GRATIFY NOT ONLY THE SENSES, BUT THE PHYSIQUE, THE SOUL AND THE SPIRITS OF OUR VALUABLE CUSTOMERS.

DEAR SHAREHOLDERS,

On behalf of Artini China Co. Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual report on the consolidated results of the Group for the year ended 31 March 2016 to all shareholders of the Company (the "Shareholder").

2015 was a really difficult year. In view of the keen competition in traditional fashion accessories, inflation in cost and expenses doing business in PRC and unstable economy in PRC during the year, the Group was exposed to various pressures and challenges, resulting in many difficulties. To combat upcoming pressures and challenges, our management has been continuously evaluating the strengths and weaknesses of the Group and identifying any potential opportunities for the Group in order to maximize the wealth of the Shareholders.

The management firmly believes that change is essential and beneficial to the Group, especially in the fast-changing business environment. In December 2014, in view of the continuous inflation in the manufacturing overheads in Guangdong Province, the Group successfully disposed the TCK Company Limited and its subsidiary, the former manufacturing arm of the Group. Due to savings in the manufacturing overheads and fixed costs in the factory for the year ended 31 March 2016, the Group successfully recorded gross profits of approximately HK$1,572,000 for the year ended 31 March 2016 (2015: gross losses of HK$18,688,000) and recorded a decrease in the administrative expenses (excluding the effects from the expenses as a result of the share-based payment from the share options granted on July 2015 and November 2015). The benefits from the changes implemented by us are clear.

In the fast-changing generation, we should likewise have a "fast-changing" mind in order to survive. In the 2000's, the physical retail shops in different shopping malls acted as important distribution channels and heralding images of the Group to the customers, infusing their minds with "Artini". However, with the change in business environments in retailing and shopping habits of the PRC customers, the physical shops became burdens for the Group. Hence, the Group changed the business strategy, focusing on online distribution channel.

"Fast-changing" minds should also be applied to any new opportunities. With the new demand on the online sales management software as a result of the recent online sales trends and increasing demands on the smart accessory wearables, on 13 April 2016, the Group entered into a conditional agreement to acquire a company principally engaged in developing and selling software related applications. We firmly believe our "fast-changing" minds can assist us in catching up any opportunities in the future.

Admittedly, we are now in the most difficult of times. However, with our open and flexible minds in dealing with challenges and hard work by our team, we do believe that we can overcome all pressures and challenges and we will succeed in the foreseeable future. Let's work together to create the new prospect for Artini!

TSE HOI CHAU
Chairman
Hong Kong, 28 June 2016

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2016 (the "Year" or "year" or "reporting period"), the Group recorded a total turnover of approximately HK$46,907,000 (2015: approximately HK$77,707,000), representing a decrease of approximately 39.6% as compared with last year. The decrease was mainly due to the loss of major customers in CDM business following our factory disposal in December 2014, restructuring of our retail business and sluggish global economy. Gross profits was approximately HK$1,572,000 (2015: gross losses of approximately HK$18,688,000). During the Year, loss attributable to the owners of the Company was approximately HK$100,030,000 (2015: approximately HK$90,990,000). Basic loss per share was approximately HK$0.040 (2015: approximately HK$0.080).

RETAIL BUSINESS

Our retailing sales in PRC decreased from approximately HK$5,524,000 in 2015 to HK$949,000 in 2016, due to the change in our retailing practice and economy uncertainties in the PRC. As at 31 March 2016, the Group maintained 2 retailing points, including those in online platform (2015: 5 retailing points). Due to the change in the market focus to PRC, the entire retail turnover of approximately HK$949,000 of the Group's retailing business was attributable to the PRC market. The total turnover in retailing business of approximately HK$949,000 (2015: approximately HK$8,112,000) accounted for approximately 2.0 % (2015: approximately 10.4%) of the Group's turnover.

Due to the recent change in customers' shopping behavior in the PRC and to minimize incurring of fixed costs in operating brick and mortar shops, the Company will focus on the online retailing. Subject to future customers' shopping behavior and trend of fixed costs in operating brick and mortar shops, the Group may open new brick and mortar shops in the future when suitable opportunities arise.

As at 31 March 2016, the number of VIP customers of "Artini" was approximately 141,000 (2015: approximately 140,000), representing an increase of approximately 1.0% over last year. 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

After the completion of the disposal of our manufacturing subsidiaries in December 2014, due to difficulties in fulfilling the requirements of the major customers, the customer base has significantly changed. As a result, the turnover of CDM business decreased from approximately HK$69,595,000 for the year ended 31 March 2015 to approximately HK$45,958,000 for the year ended 31 March 2016, representing an approximately 34.0% drop.

During the year, the Company focused on Hong Kong, the PRC and the United Arab Emirates markets. The management considers that there is great potential chances in such markets since they are still under development and the competition is not as keen as that in developed markets.

Since the disposal of the manufacturing arms in December 2014, the Group did not incur any manufacturing fixed costs during the year. Hence, the CDM segment results improved and the losses in CDM decreased from approximately HK$116,300,000 for the year ended 31 March 2015 to approximately HK$61,400,000 for the year ended 31 March 2016.

PROSPECTS

In the past, the retail market continued to deteriorate without any abating. Because of the high rental of shopping mall spaces and declining customer flows, the management has been exploring means to expand its distribution channel outside of the Group's existing retail business model.

With the rapid development of electronic commerce in recent years, it brought the huge and profound influence to brick and mortar business. The internet is constantly permeating traditional industries, and blurring the divisions across industries. The management of the company considers that the integration between traditional industry and e-commerce represents the general market trend. Therefore, our group has promoted the transformation of "Internet plus" innovation, and tried to seek suitable platforms, software companies, technical development personnel or other relative resources in the market, which would enable our group's business operations to deeper integrate to internet, and bring the high-tech and big data to the conventional fashion jewelry industry. The Group entered into a conditional sale and purchase agreement on 13 April 2016 to acquire a company that is principally engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services (the "Acquisition"). The Acquisition is currently pending completion which is subject to, among other things, approval by the independent shareholders of the Company at a special general meeting to be convened. The completion of the Acquisition is expected to bring synergy with the Group's existing business, such as enhancement on the platform for the Group's existing online sales, obtaining a better understanding on the customer's needs between both sides in our retail and internet sales and further development on smart jewellery accessories. The management believes that the new concept of the combination of "Internet + Traditional accessories + Smart wearable + Big health + Big data" will be a broad prospective blue ocean in the future. In order to implement such new concepts, the Target Company will assist us in developing softwares to transmit the data, such as the amounts of calories consumed each day collected from the smart wearable into the health information which can be used by the customers in their mobile phone and enable them to have a better understanding about their personal health, so that they can improve their health accordingly. We will continue to review our retail business model after completion of the Acquisition and will consider means to optimise deployment of resources as and when appropriate.

In respect of export business, business is stagnant as a result of the downward trend of global economy. The management of company considers that the prospect of export business might not recover in the short term. Therefore, company prefers to maintain the present status rather than deploying resources to expand the export business.

Because of the weak retail market and electronic commerce impact, our group is under pressure. However, our whole group will try our best to stand firm in such environment, and constantly explore the suitable development strategies for our group, seeking new opportunities, and maximizing shareholders' equity.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 March 2016 amounted to approximately HK$46,907,000, representing a decrease of approximately 39.6% compared to the previous year.

CDM business

CDM business turnover recorded a year-on-year decrease of approximately 33.96% to approximately HK$45,958,000 during the year, accounting for approximately 98.0% of the Group's total turnover (2015: approximately 89.6%). This decrease was mainly due to change in the customer's base due to the difficulties in certain customers' needs after the disposal of the group's manufacturing arm in December 2014.

Retail business

The retail business was one of the other revenue generator for the year ended 31 March 2016, accounting for approximately 2.0% of the Group's total turnover (2015: approximately 10.4%). During the Year, turnover from our retail business decreased by approximately 88.3% to approximately HK$949,000.

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the United Arab Emirates, Hong Kong and Macao, and the European markets, which accounted for 14.7%, 76.8%, 4.3% and 4.2% of the turnover respectively in 2016, compared to 12.2%, 0%, 8.2% and 62.9% in 2015.

Cost of sales

Cost of sales decreased from approximately HK$96,395,000 of last year to approximately HK$45,335,000 for the year ended 31 March 2016, representing a decrease of approximately 53.0% mainly due to the decrease in the size of operation and no manufacturing overhead was incurred during the year after the disposal of factory in December 2014.

(Gross loss)/Gross profits

There was gross loss of approximately HK$18,688,000 in 2015 to while there was gross profit of approximately HK$1,572,000 in 2016. The gross profits recognised during the year was mainly the result of that no manufacturing fixed overheads were incurred during the year.

Operating expenses

Operating expenses for the year ended 31 March 2016 accounted for approximately 194.8% of the Group's total sales, compared with 177.2% of last year. They mainly comprised selling and distribution costs of approximately HK$47,918,000 as well as administrative expenses of approximately HK$43,460,000.

Selling and distribution costs decreased from approximately HK$97,796,000 for the year ended 31 March 2015 to approximately HK$47,918,000 for the year ended 31 March 2016, representing an decrease of approximately HK$49,878,000. The decrease in selling and distribution costs was mainly resulted from reduced promotion and advertising of our brand during the year of 2016. The promotional expenses comprise of online and offline advertising on retailing business decreased from approximately HK$77,849,000 in 2015 to approximately HK$44,899,000 in 2016.

The Group's administrative expenses primarily comprised fixed assets depreciation, staff costs including Directors and executives and professional fees paid during the year. During the year, the Company recognized share based payment expenses of approximately HK$16,565,000 as a result of the share options granted during the year (and no such expenses were recorded in the previous year). Excluding the share based payment, the administrative expenses decreased to approximately HK$26,895,000, representing a 32.6% decrease compared to last year, which was mainly due to tightened cost control this year.

Gain (loss) on disposal of properties including those classified as Investment Properties in 2016 and those classified as Plant, Properties and Equipment in 2015

During the year, the Group disposed properties, due to insufficient rental yield from the shops, resulting in the net losses on disposal of properties approximately HK$3,613,000 while there were gains on disposal of approximately HK$42,897,000 in 2015.

Gains on disposals of subsidiaries

During the year, the Group disposed of one subsidiary. The total net gains on disposals of the subsidiary during the year is approximately HK$17,000 (2015: approximately HK$39,312,000).

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately HK$100,030,000 (2015: approximately HK$90,990,000) for the year ended 31 March 2016.

Income tax

During the year, the income tax expense of the Group amounted to approximately HK$11,000 (2015: approximately HK$18,000). Such decrease is mainly resulted from tax loss incurred during the year.

Loss per share

The loss per share decreased from approximately HK$0.080 for the year ended 31 March 2015 to approximately HK$0.040 for the year ended 31 March 2016.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2016 (2015: HK$Nil).

Foreign exchange exposure

The major business activities of the Group take place in the PRC, the United Arab Emirates 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 year, the exchange rate of Renminbi and Hong Kong dollars was relatively unstable. As a result, the Group recorded net exchange loss of approximately HK$4,256,000 during the year (2015: approximately HK$23,000). Although the foreign currency market is expected to be unstable in 2016, the Group has not used or has no plan to use any forward contract or other derivative products to hedge exchange as the management consider it more difficult to monitor the risk arising from such forward contracts or derivative products. The management of the Group will, nonetheless, continue to monitor the Group's foreign currency risks exposures and consider adopting prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities.

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. On 13 April 2016, it entered into a conditional sale and purchase agreement in related to the Acquisition. For further details on the Acquisition, please refer to the paragraph headed "Prospects" above.

Impairment loss on trade receivables

At 31 March 2016, the Group made specific allowance for doubtful debts on trade receivables with amount approximately HK$2,447,000 (2015: approximately HK$7,427,000) while the Group recovered specific allowance for doubtful debts on trade receivable with amount approximately HK$2,905,000 (2015: HK$Nil)

Employees and emoluments

As at 31 March 2016, the Group had 15 employees (2015: approximately 60). 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 statutory 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.

At the end of the reporting period, there was no undrawn general banking facilities available to the Group (2015: approximately HK$933,000), and the Group did not have any outstanding borrowing (2015: HK$Nil).

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 46.3% as at 31 March 2016 (2015: approximately 16.6%). The Group had time deposits and cash balances as at 31 March 2016 amounting to approximately HK$10,858,000 (2015: approximately HK$122,822,000).

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 but management will be reviewing this position following completion of the Acquisition given the expected broadening of customer base.

Use of proceeds from the placing new shares during the year

On 27 August 2015, which a view to improving into business performance and as a continued effort to enhance its e-commerce platform, the Company entered into placing agreement with an independent placing agent to place a total of 95,200,000 new ordinary shares in the Company at the placing price of HK$0.105 per share to not less than six placees who are independent third parties. Net proceeds of approximately HK$9,560,000 (with a net placing price of HK$0.100 per share) were raised. The closing price of the Company's shares as quoted on 27 August 2015, being the date on which the terms of the placing were fixed, was HK$0.131. The Group's business objectives and use of proceeds as stated in the announcement dated 27 August 2015 (the "Announcement") were based on the best estimation of future market conditions made by the Group at the time of preparing the Announcement.

Use of Proceeds proposed in the Announcement	**Approximate amount to be used as proposed in the Announcement**	**Amount used as at 31 March 2016**
Hiring technical staff	HK$5,000,000	All used as intended
Implementing the expand the Group's marketing channel on the e-commerce platform and market the Group's products via mobile phone applications targeting primarily smart phone users in the PRC	HK$4,000,000	All used as intended

Subsequent Event

On 13 April 2016 (after trading hours), the Group entered into a subscription agreement (the "Subscription Agreement") with Walifax Investments Limited, a company wholly and beneficially owned by Mr. Tse Hoi Chau, Chairman of the Group, for subscription of 2,440,000,000 ordinary shares at HK$0.074 per share at a total consideration of approximately HK$180,560,000 (the "Subscription"). The net proceeds from the subscription are estimated to be HK$178,000,000, of which HK$160,000,000 will be paid for the Acquisition and the remaining balance will be general working capital.

On 13 April 2016 (after trading hours), the Purchaser, the Vendors and the Guarantor entered into the acquisition agreement (the "Acquisition Agreement"), in respect of the Acquisition for an aggregate consideration of HK$160 million, which will be satisfied in cash from the net proceeds of the Subscription. Please refer to the paragraph "Prospect" above for details on the Acquisition.

Up to the date of this report, the Acquisition Agreement and the Subscription Agreement still remain conditional upon, among other things, approval by independent shareholders at a special general meeting to be convened in due course.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2016 (2015: 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 below, the Company has complied with all the provisions in the CG Code during the year ended 31 March 2016.

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.

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 controlling 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 42.23% 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 56, was appointed as an executive Director on 28 June 2013. He has over 20 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 44, 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 Central Wealth Financial Group Limited (previously known as China For You Group Company Limited) (Stock code: 572) since January 2014, an independent non-executive director of Titan Petrochemicals Group Limited (Stock code: 1192) since March 2014 and Topsearch International (Holdings) Limited (Stock code: 2323), all of which are listed on the Stock Exchange.

Mr. LAU Yiu Kit, aged 56, 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 was appointed on 23 March 2015 as independent non-executive director of Titan Petrochemicals Group Limited (which is listed on the Main Board of the Stock Exchange) and resigned from that position on 30 September 2015. He was also appointed on 16 September 2015 as independent non-executive director of FDB Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. ZENG Zhaohui, aged 45, 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 joined the Company on 2014 and 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 since 2 February 2015. He is a member of Hong Kong Institute of Certified Public Accountants; he is experienced in accounting, auditing and corporate governance related work.

The Directors submit herewith their report together with the audited financial statements of the Company for the year ended 31 March 2016 (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 2016 are set out in note 7 to the Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following is a list the principal risks and uncertainties the Group faces in its business operations which is not meant to be exhaustive:–

- There is no assurance of successful implementation of our business strategies
- The Group may face uncertainties associated with its business expansion
- The Group's profit margin may be dampened by increases in its marketing and brand-building expenditures
- We do not have long-term purchase commitment from our customers, and our revenue may vary significantly from period to period
- Our sales are concentrated in the PRC and the Middle East markets and declines in sales in such areas may adversely affect our results of operation
- The Group is exposed to currency exchange fluctuation

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 96.4% (2015: 50.9%) of the total sales. The top five suppliers accounted for approximately 90.3% (2015: 28.2%) of the total purchases for the year ended 31 March 2016. In addition, the Group's largest customer accounted for approximately 76.7% (2015: 34.2%) of the total sales and the Group's largest supplier accounted for approximately 36.3% (2015: 13.2%) of the total purchases for the year ended 31 March 2015.

At no time during the year ended 31 March 2016 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.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2016 is set out in the section of "Management Discussion and Analysis" on pages 8 to 14 of this annual report.

Compliance with Relevant Laws And Regulations

During the year, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

Relationships with Stakeholders

Employees are regarded as the most important and valuable assets of the Group. Competitive remuneration packages and a sound performance appraisal system with appropriate incentives are provided and implemented to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, senior management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate. During the year, there was no material and significant dispute between the Group and its business partners.

Environmental Policies, Performance and Compliance with Laws and Regulations

The Group is committed to maintaining the long term sustainability of the environment and devoted to building an environmentally friendly corporation. The Group implements policies and practices to achieve resources conservation, energy saving and waste reduction, so as to minimise its impact on the environment.

The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations. The Directors are not aware of any significant impacts on the Company's business as a result of the environmental requirements.

FINANCIAL STATEMENTS

The loss of the Group and the state of the Company's and the Group's affairs as at 31 March 2016 are set out in the Financial Statements on pages 37 to 102 respectively.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 40 and the note 34 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

The Group did not make charitable donation during the year ended 31 March 2016 (2015: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets during the year ended 31 March 2016 are set out in note 16 to the Financial Statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2016 are set out in note 26 to the Financial Statements.

DIRECTORS

The Directors during the year ended 31 March 2016 and up to the date of this report are:

Executive Directors

Mr. Tse Hoi Chau
Mr. Lin Shao Hua

Non-executive Director

Ms. He Yun (resigned on 23 April 2015)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

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 28 to 29.

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 2016, 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 in 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 2016
Tse Hoi Chau	The Company	Corporate interest	1,085,267,888 *(Note 1)*	–	42.23%
		Beneficial interest	14,824,000	26,671,400 *(Note 2)*	1.61%
Lin Shao Hua		Beneficial interest	–	26,671,400 *(Note 2)*	1.04%

Notes:

1. These shares are held by Walifax Investments Limited, which is wholly and beneficially owned by Mr. Tse Hoi Chau.

2 These options were granted by the Company on 28 March 2014 and 9 July 2015 under the Share Option Scheme (the"Share Option Scheme") adopted by the Company on 23 April 2008.

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 was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

On 13 April 2016 (after trading hours), the Group entered into a conditional subscription agreement (the "Subscription Agreement") with Walifax Investments Limited, a company wholly and beneficially owned by Mr. Tse Hoi Chau, Chairman and Executive Director of the Group, for subscription of 2,440,000,000 ordinary shares at HK$0.074 per share at a total consideration of approximately HK$180,560,000 (the "Subscription"). Up to the date of the report, the Subscription Agreement still remains conditional upon, among other things approved by independent shareholder at a special general meeting to be convened in due courses.

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 25 September 2015, the Scheme Mandate Limit was renewed 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 784,064 shares, representing approximately 0.03% 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.

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 2016 under the Share Option Scheme are as follows:

Name of the category	Date of grant of share options	Outstanding as at 1 April 2015	Granted during the year	Exercised during the year	Outstanding as at 31 March 2016	Validity period of the share option	Exercise price HK$
Directors							
Mr. Tse Hoi Chau (Director)	28.03.2014	6,671,400	–	–	6,671,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	–	20,000,000	–	20,000,000	09.07.2015-08.07.2020	0.147
Mr. Lin Shao Hua (Director)	28.03.2014	6,671,400	–	–	6,671,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	–	20,000,000	–	20,000,000	09.07.2015-08.07.2020	0.147
Employees (In aggregates)	28.03.2014	6,671,400	–	–	6,671,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	–	1,600,000	–	1,600,000	09.07.2015-08.07.2020	0.147
	27.11.2015	–	32,000,000	–	32,000,000	27.11.2015-26.11.2020	0.1488
Other Participants (In aggregates)	28.03.2014	40,028,400	–	–	40,028,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	–	20,200,000	–	20,200,000	09.07.2015-08.07.2020	0.147
	27.11.2015		224,200,000		224,200,000	27.11.2015-26.11.2020	0.1488
		60,042,600	318,000,000	–	378,042,600		

Note:

(1) The Closing price for the shares on 28 March 2014, 9 July 2015 and 27 November 2015, being the date immediately before the share options granted, were HK$0.2440, HK$0.1360 and HK$0.1470 respectively.

(2) Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The Company has received such consideration from the respective grantees. For the reasons for the grants and principal terms thereof in additional to those set out in the table above, please refer to the preceding paragraphs in this section.

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

As at 31 March 2016, 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 2016
Walifax Investments Limited *(Note below)*	Beneficial interest	1,085,267,988	42.23%

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

Save as disclosed above, as at 31 March 2016, 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, TRANSACTIONS AND ARRANGEMENTS AND OTHER CONTRACTS OF SIGNIFICANCE

During the year, there was no contract of significance between the controlling shareholder or its subsidiaries and any of the Company, its holding companies, or any of its subsidiaries and there was no contract, transaction or arrangement in which a Director or an entity connected with him had a material interest with differed from that of the other shareholders of the Company, subsisted at the end or any time during the year ended 31 March 2016.

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 note 25 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 5 of this annual report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director of the Company or any person engaged in the full-time employment of the Company) was entered into or was subsisting during the Year.

RETIREMENT BENEFIT SCHEMES

Particulars of employee retirement benefit schemes of the Group are set out in note 27 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

On 27 August 2015, which a view to improving into business performance and as a continued effort to enhance its e-commerce platform, the Company entered into placing agreement with an independent placing agent to place a total of 95,200,000 new ordinary shares in the Company at the placing price of HK$0.105 per share to not less than six placees who are independent third parties. Net proceeds of approximately HK$9,560,000 (with a net placing price of HK$0.100 per share) were raised. The closing price of the Company's shares as quoted on 27 August 2015, being the date on which the terms of the placing were fixed, was HK$0.131. The Group's business objectives and use of proceeds as stated in the announcement dated 27 August 2015 (the "Announcement") were based on the best estimation of future market conditions made by the Group at the time of preparing the Announcement.

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 2016 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 2016.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 March 2016 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.

SUBSEQUENT EVENT

On 13 April 2016 (after trading hours), the Group entered into a conditional subscription agreement (the "Subscription Agreement") with Walifax Investments Limited, a company wholly and beneficially owned by Mr. Tse Hoi Chau, Chairman of the Group, for subscription of 2,440,000,000 ordinary shares at HK$0.074 per share at a total consideration of approximately HK$180,560,000 (the "Subscription"). The net proceeds from the subscription are estimated to be HK$178,000,000, of which HK$160,000,000 will be paid for the Acquisition and the remaining balance will be general working capital. Up to the date of the report, the Subscription Agreement still remains conditional upon, among other things, approved by independent shareholders at a special general meeting to be convened in due course.

AUDITOR

On 10 May 2016, the name of the Company's auditor was changed from ZHONGLEI (HK) CPA Company Limited to Asiana Alliance (HK) CPA Limited. Asian Alliance (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Asian Alliance (HK) CPA Limited as auditor of the Company is to be proposed at the AGM.

By order of the Board

TSE HOI CHAU
Chairman

Hong Kong, 28 June 2016

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 2016.

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 2016.

BOARD OF DIRECTORS

Composition

As at 31 March 2016, the Board comprised two executive Directors and three independent non-executive Directors. The composition of the Board during the year ended 31 March 2016 and up to the date of this report are as follows:

Executive Directors

Mr. Tse Hoi Chau (Chairman)
Mr. Lin Shao Hua

Non-executive Director

Ms. He Yun (resigned on 23 April 2015)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

The biographical details of all current Directors are set out on pages 15 to 16 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.

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 2016. 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 2016 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 2016, 9 Board meetings and 1 annual general meeting 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
Executive Directors		
Mr. Tse Hoi Chau	9/9	1/1
Mr. Lin Shao Hua	8/9	0/1
Non-executive Directors		
Ms. He Yun (resigned on 23 April 2015)	N/A	N/A
Independent Non-executive Directors		
Mr. Lau Fai Lawrence	8/9	1/1
Mr. Lau Yiu Kit	9/9	1/1
Mr. Zeng Zhaohui	9/9	1/1

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. 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.

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 2016. The Company, based on such confirmation, considers all independent non-executive Directors during the year ended 31 March 2016 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 2016 to the Company.

During the year ended 31 March 2016, 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 updated terms of reference of the Audit Committee were adoted on 29 February 2016

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. The updated terms of reference of the Audit Committee, which were applicable to the Company's accounting periods commencing on or after 1 April 2016, were adoted on 29 February 2016. As at 31 March 2016, 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, (i) 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; (ii) 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; (iii) overseeing the effectiveness of the audit financial reporting system and internal control procedures of the Group; (iv) reviewing the confidential arrangements that employees of the Company may use to report and by way of facilitating the above-mentioned duties; and (v) considering and identifying risks of the Group and considering the effectiveness of the Group's decision making processes in crisis and emergency situation and approving major decision affecting the Group's risk profit and exposures.

During the year ended 31 March 2016, 5 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)	5/5
Mr. Lau Yiu Kit	5/5
Mr. Zeng Zhaohui	5/5

For the year ended 31 March 2016, the Audit Committee has held meetings with the Company's auditor, Asian Alliance (HK) CPA Limited, to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2016 and the interim financial report for the six months ended 30 September 2015, 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 2016, 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 2016, 4 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)	4/4
Mr. Tse Hoi Chau	4/4
Mr. Lau Fai Lawrence	3/4
Mr. Lau Yiu Kit	4/4

For the year ended 31 March 2016, 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 2016, 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 2016, 2 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)	2/2
Mr. Tse Hoi Chau	2/2
Mr. Lau Yiu Kit	2/2
Mr. Zeng Zhaohui	2/2

For the year ended 31 March 2016, 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 2016, 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 2016 are set out in the Independent Auditor's Report.

Auditor's Remuneration

During the year ended 31 March 2016, the remuneration paid or payable to the Company's auditor, Asian Alliance (HK) CPA Limited, in respect of its audit and non-audit services were as follows:

Type of Services	HK$'000
Audit services	632
Non-audit services	60
	692

INTERNAL CONTROL

The Company has prepared an internal control report, covering all material controls, including financial and operation for the year ended 31 March 2016. 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 during the year ended 31 March 2016.

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 15 hours of relevant professional training for the year ended 31 March 2016 to update his skills and knowledge.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF
ARTINI CHINA CO. LTD. (雅天妮中國有限公司)
(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 37 to 102, which comprise the consolidated statement of financial position as at 31 March 2016, 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Asian Alliance (HK) CPA 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

28 June 2016

Consolidated Statement of Profit or Loss

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	*7*	**46,907**	77,707
Cost of sales		**(45,335)**	(96,395)
Gross profit (loss)		**1,572**	(18,688)
Other income	*8*	**315**	486
Other gains and losses	*9*	**(6,992)**	(15,116)
Gains on disposals of property, plant and equipment		**70**	42,897
Losses on disposals of investment properties		**(3,613)**	–
Net gains on disposals of subsidiaries	*30*	**17**	39,312
Selling and distribution expenses		**(47,918)**	(97,796)
Administrative expenses		**(43,460)**	(39,919)
Finance costs	*10*	**(10)**	(2,148)
Loss before tax	*11*	**(100,019)**	(90,972)
Income tax expense	*14*	**(11)**	(18)
Loss for the year		**(100,030)**	(90,990)
Loss per share	*15*		
– Basic (HK$)		**(0.040)**	(0.080)
– Diluted (HK$)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Loss for the year		**(100,030)**	(90,990)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,156**	123
Release of translation reserve upon disposals of subsidiaries	*30*	**(37)**	(21,474)
Other comprehensive income (expense) for the year, net of income tax		**1,119**	(21,351)
Total comprehensive expense for the year		**(98,911)**	(112,341)

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**885**	1,607
Investment properties	*17*	**–**	8,901
Intangible assets	*18*	**–**	–
Deferred tax assets	*19*	**–**	63
Deposits paid	*20*	**55,042**	–
		55,927	10,571
CURRENT ASSETS			
Inventories	*21*	**428**	3,515
Trade and other receivables	*22*	**39,503**	19,154
Cash and bank balances	*23*	**10,858**	122,822
		50,789	145,491
CURRENT LIABILITIES			
Trade and other payables	*24*	**48,745**	25,794
Tax liabilities		**101**	159
Obligations under finance lease – current portion	*25*	**160**	–
		49,006	25,953
NET CURRENT ASSETS		**1,783**	119,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,710**	130,109
NON-CURRENT LIABILITY			
Obligations under finance lease – non-current portion	*25*	**391**	–
NET ASSETS		**57,319**	130,109
CAPITAL AND RESERVES			
Share capital	*26*	**25,698**	24,746
Reserves		**31,621**	105,363
TOTAL EQUITY		**57,319**	130,109

The consolidated financial statements on pages 37 to 102 were approved and authorised for issue by the Board of Directors on 28 June 2016 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 2016

	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$'000	Total HK$'000
As at 1 April 2014	123,732	549,974	(19,518)	38,730	21,755	14,718	(669,988)	59,403
Loss for the year	–	–	–	–	–	–	(90,990)	(90,990)
Other comprehensive expense for the year, net of income tax	–	–	–	(21,351)	–	–	–	(21,351)
Total comprehensive expense for the year	–	–	–	(21,351)	–	–	(90,990)	(112,341)
Disposals of subsidiaries	–	–	–	–	(13,114)	–	13,114	–
Capital Reduction *(as defined in Note 26(a))*	(117,545)	–	–	–	–	–	117,545	–
Issue of shares in respect of Open Offer *(as defined in Note 26(b))*	18,559	167,039	–	–	–	–	–	185,598
Transaction costs attributable to the issue of shares *(Note 26(b))*	–	(2,551)	–	–	–	–	–	(2,551)
Lapsed of share options *(Note 28)*	–	–	–	–	–	(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
Loss for the year	–	–	–	–	–	–	(100,030)	(100,030)
Other comprehensive income for the year, net of income tax	–	–	–	1,119	–	–	–	1,119
Total comprehensive income (expense) for the year	–	–	–	1,119	–	–	(100,030)	(98,911)
Issue of shares in respect of Placing *(as defined in Note 26(c))*	952	9,044	–	–	–	–	–	9,996
Transaction costs attributable to the issue of shares *(Note 26(c))*	–	(440)	–	–	–	–	–	(440)
Recognition of share options *(Note 28)*	–	–	–	–	–	16,565	–	16,565
As at 31 March 2016	**25,698**	**723,066**	**(19,518)**	**18,498**	**8,641**	**30,137**	**(729,203)**	**57,319**

Notes:

A. OTHER RESERVES

The other reserves comprise of the following:

i. Restructuring reserve

The restructuring reserve of debit balance of approximately HK$19,615,000 (2015: HK$19,615,000) represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries comprising 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. At the end of reporting period, legal reserve of approximately HK$97,000 (2015: HK$97,000) is not distributable to equity holders of the Company.

B. PRC STATUTORY RESERVES

The amounts represent the transfers from retained earnings to PRC statutory reserves which are 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 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(100,019)**	(90,972)
Adjustments for:		
Depreciation of property, plant and equipment	**1,100**	3,820
Depreciation of investment properties	**118**	293
Amortisation of prepaid lease payments	**–**	401
Finance costs recognised in profit or loss	**10**	2,148
Interest income recognised in profit or loss	**(13)**	(25)
Net losses on disposals of investment properties	**3,613**	–
Net gains on disposals of subsidiaries	**(17)**	(39,312)
Gains on disposals of property, plant and equipment	**(70)**	(42,897)
Written-off of property, plant and equipment	**105**	5,496
Impairment losses recognised in respect of other receivables	**3,089**	3,475
Impairment losses recognised in respect of inventories	**2,709**	3,598
(Reversal of impairment losses) impairment losses recognised in respect of trade receivables, net	**(458)**	7,427
Waiver of other payables	**–**	(1,305)
Share-based payment expenses	**16,565**	–
Operating cash flows before movements in working capital	**(73,268)**	(147,853)
(Increase) decrease in inventories	**(428)**	2,918
(Increase) decrease in trade and other receivables	**(22,797)**	17,299
Increase in trade and other payables	**23,826**	16,293
Cash used in operations	**(72,667)**	(111,343)
Income taxes paid	**(6)**	(198)
Interest paid	**–**	(2,148)
NET CASH USED IN OPERATING ACTIVITIES	**(72,673)**	(113,689)
INVESTING ACTIVITIES		
Deposit paid for acquisition of trademarks	**(31,000)**	–
Deposit paid for acquisition of properties	**(24,042)**	–
Purchase of property, plant and equipment	**(28)**	(2,079)
Net proceeds on disposals of investment properties	**4,827**	–
Net proceeds on disposals of property, plant and equipment	**70**	56,470
Interest received	**13**	25
Net cash (outflow) inflow on disposals of subsidiaries *(Note 30)*	**(97)**	13,940
Decrease in pledged bank deposits	**–**	999
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(50,257)**	69,355

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	9,996	185,598
Transaction costs attributable to the issue of shares	(440)	(2,551)
Repayments of obligations under finance lease	(129)	–
Interest paid on obligations under finance lease	(10)	–
Repayments of borrowings	–	(26,350)
NET CASH FROM FINANCING ACTIVITIES	9,417	156,697
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(113,513)	112,363
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	122,822	10,718
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,549	(259)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by cash and bank balances	10,858	122,822

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

Application of new and revised HKFRSs

The Group has applied the following amendments to Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Annual Improvements Project	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(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:

HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Annual Improvements Project	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective date to be determined and early application is permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include 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 *(continued)*

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

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be 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 instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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. 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company ("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.

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

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

HKFRS 15 Revenue from Contracts with Customers

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 recognises 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 effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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

HKFRS 16 Leases (continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 *Presentation of Financial Statements* give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKAS 1 will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors anticipate that the application of these amendments to HKAS 16 and HKAS 38 will not have a material impact on the Group's consolidated financial statements.

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

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost;
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

Except for the above impact, the Directors do not anticipate that the application of the other new and revised HKFRSs will have significant impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, at the end of each reporting period, as explained in the accounting policies set out below.

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.

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

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.

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).

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

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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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, when applicable, on the basis specified in another HKFRS.

Investment in subsidiaries

Investment in subsidiaries 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.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

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.

Leasing

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.

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

Leasing *(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.

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.

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

Borrowing costs

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

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 recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the Group's consolidation financial statements.

The fair value determined at the grant date of the share options are expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the 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. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment capital reserve.

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. 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.

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

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 "loss before tax" as reported in the consolidated statement of profit or loss because 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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

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.

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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

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 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, and are recognised in profit or loss when the asset is derecognised.

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

Impairment on 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 on a 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.

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

Financial instruments

Financial assets and financial liabilities are recognised 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 being 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 debt instrument 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 and cash and bank balances) 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; or
- disappearance of an active market for that financial asset because of financial difficulties

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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 entity after deducting all of its liabilities. Equity instruments issued by a Group are recognised at the proceeds received, net of direct issue costs.

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

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

Financial liabilities (including trade and other payables and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

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

a. Impairment of 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.

b. 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.

c. 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.

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

Critical judgements in applying accounting policies *(continued)*

d. 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 judgement 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 MANAGEMENT

The Group manages its capital to ensure that entities within the Group 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 obligations under finance lease, 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.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables:		
– Trade and other receivables	**38,324**	8,171
– Cash and bank balances	**10,858**	122,822
	49,182	130,993
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and other payables	**44,558**	19,351
– Obligations under finance lease	**551**	–
	45,109	19,351

b. Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payables and obligations under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. 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.

6. FINANCIAL INSTRUMENTS *(continued)*

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 is exposed to fair value interest rate risk in relation to obligations under finance lease at fixed rate. The Group is exposed to cash flow interest rate risk through the impact of rate changes on bank balances 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 Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitivity analysis is presented.

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, cash and bank balances and trade and other payables 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 periods are as follows:

	2016 **HK$'000**	2015 HK$'000
Assets		
United Stated Dollars ("US$")	**36,917**	5,942
Renminbi ("RMB")	**5,944**	54,709
Liabilities		
US$	**–**	5,696
RMB	**6,124**	17,169
Net assets (liabilities)		
US$	**36,917**	246
RMB	**(180)**	37,540

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$'000
Year ended 31 March 2015		
If HK$ weakens against RMB	5	(1,877)
If HK$ strengthens against RMB	(5)	1,877
Year ended 31 March 2016		
If HK$ weakens against RMB	**5**	**9**
If HK$ strengthens against RMB	**(5)**	**(9)**

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 2016.

6. FINANCIAL INSTRUMENTS *(continued)*

d. Credit risk management

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group 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 Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 31 March 2016, the Group has concentration of credit risk as the Group's gross trade receivables of HK$41,220,000 (2015: HK$13,827,000), representing 78.58% (2015: 65.91%) of total gross trade receivables were derived from certain major 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

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. 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. 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 %	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 March 2015					
Trade and other payables	–	19,351	–	19,351	19,351
At 31 March 2016					
Trade and other payables	**–**	**44,558**	**–**	**44,558**	**44,558**
Obligations under finance lease	**2%**	**184**	**412**	**596**	**551**
		44,742	**412**	**45,154**	**45,109**

f. Fair value measurements of financial instruments

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

Revenue 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 directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance.

Specifically, the Group's reportable and operating segments were 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

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 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)

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	Unallocated HK$'000	Consolidated HK$'000
Year ended 31 March 2016						
Revenue						
Segment revenue – external sales	949	–	949	45,958	–	46,907
Results						
Segment results	(7,444)	–	(7,444)	(61,444)	–	(68,888)
Unallocated income						385
Unallocated expenses						(31,516)
Loss before tax						(100,019)
Assets						
Segment assets	37,453	–	37,453	38,517	–	75,970
Unallocated assets						30,746
Total assets						106,716
Liabilities						
Segment liabilities	7,238	–	7,238	37,645	–	44,883
Unallocated liabilities						4,514
Total liabilities						49,397
Other information						
Depreciation of property, plant and equipment	928	77	1,005	–	95	1,100
Depreciation of investment properties	–	–	–	–	118	118
Impairment losses recognised in respect of trade receivables	173	–	173	2,274	–	2,447
Reversal of impairment losses recognised in respect of trade receivables	(92)	–	(92)	(2,813)	–	(2,905)
Impairment losses recognised in respect of other receivables	1,379	26	1,405	1,684	–	3,089
Impairment losses recognised in respect of inventories	2,709	–	2,709	–	–	2,709
Additions to property, plant and equipment	28	–	28	–	603	631
Gains on disposals of property, plant and equipment	–	–	–	–	(70)	(70)
Written-off of property, plant and equipment	105	–	105	–	–	105
Losses on disposals of investment properties	–	–	–	–	3,613	3,613
Net gains on disposals of a subsidiary	–	–	–	–	(17)	(17)

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. No internal sales transactions between the Group's subsidiaries in the Retailing and Distribution segment and the CDM Sales segment during the year ended 31 March 2016 (2015: HK$1,783,000).

Segment results represent the profit earned or loss 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, deferred tax assets, certain property, plant and equipment, other receivables, certain deposit paid and certain cash and bank balances.
- All liabilities are allocated to reportable and operating segments other than tax liabilities, certain other payables and obligations under finance lease.

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:

	2016 HK$'000	2015 HK$'000
Hong Kong and Macao	**2,013**	6,379
The PRC, other than Hong Kong and Macao	**6,907**	9,445
The United Arab Emirates	**36,000**	–
Europe	**1,987**	48,835
Americas	**–**	8,861
Others	**–**	4,187
	46,907	77,707

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:

	2016 HK$'000	2015 HK$'000
Hong Kong and Macao	**634**	203
The PRC, other than Hong Kong and Macao	**55,293**	10,305
	55,927	10,508

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	2016 HK$'000	2015 HK$'000
Customer A	CDM Sales	–	26,557
Customer B	CDM Sales	36,000	–

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Other income comprises of:		
Interest income	13	25
Rental income, less direct outgoings	–	20
Others	302	441
	315	486

9. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Other gains and losses comprise of:		
Net exchange losses	(4,256)	(23)
Waiver of other payables	–	1,305
Written-off of property, plant and equipment	(105)	(5,496)
Impairment losses recognised in respect of trade receivables	(2,447)	(7,427)
Impairment losses recognised in respect of other receivables	(3,089)	(3,475)
Reversal of impairment losses recognised in respect of trade receivables	2,905	–
	(6,992)	(15,116)

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Finance costs comprise of:		
Interest on obligations under finance lease	**10**	–
Interest on borrowings wholly repayable within five years	**–**	2,148
	10	2,148

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2016 HK$'000	2015 HK$'000
Staff costs (included directors' remuneration *(Note12(a))*:		
Salaries, wages and other benefits	**6,616**	23,498
Share-based payment expenses for the Directors and employees	**4,427**	–
Contributions to defined contribution retirement plans	**287**	900
	11,330	24,398
Cost of inventories recognised as an expense, including written-off of inventories of approximately HK$2,709,000 (2015: HK$3,598,000)	**45,335**	96,395
Depreciation of property, plant and equipment	**1,100**	3,820
Depreciation of investment properties	**118**	293
Amortisation of prepaid lease payments	**–**	401
Share-based payment expenses for consultants	**12,138**	–
Auditor's remuneration	**632**	795
Operating leases charges in respect of office premises, shops and Directors' quarters	**1,985**	9,726

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
For the 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	–	485	–	–	485
Non-executive director					
Ms. He Yun *(note (ii))*	66	–	–	–	66
Independent non-executive directors					
Mr. Lau Fai Lawrence	183	–	–	–	183
Mr. Lau Yiu Kit	135	–	–	–	135
Mr. Li Youhuan *(note (iii))*	183	–	–	–	183
Mr. Zeng Zhaohui *(note (iv))*	60	–	–	–	60
	627	4,044	19	–	4,690
For the year ended 31 March 2016					
Executive directors					
Mr. Tse Hoi Chau	**–**	**2,600**	**18**	**1,388**	**4,006**
Mr. Lin Shao Hua	**–**	**390**	**–**	**1,388**	**1,778**
Non-executive director					
Ms. He Yun *(note (ii))*	**20**	**–**	**–**	**–**	**20**
Independent non-executive directors					
Mr. Lau Fai Lawrence	**120**	**–**	**–**	**–**	**120**
Mr. Lau Yiu Kit	**120**	**–**	**–**	**–**	**120**
Mr. Zeng Zhaohui *(note (iv))*	**120**	**–**	**–**	**–**	**120**
	380	**2,990**	**18**	**2,776**	**6,164**

Notes:

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

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

iii. Mr. Li Youhuan was resigned as independent non-executive director on 22 August 2014.

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

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

a. Directors' and chief executive's emoluments *(continued)*

Apart from the Directors, the Group has not classified any other person as a chief executive during the years ended 31 March 2016 and 31 March 2015.

During the years ended 31 March 2016 and 31 March 2015, 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 2016 and 31 March 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were mainly for their services as director of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

b. Employees' emoluments

Of the five individuals with the highest emoluments, two (2015: two) are Directors for the year ended 31 March 2016, details of whose emoluments are included in the disclosure in Note 12(a) above.

The emoluments of the remaining three (2015: three) individuals were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,550**	1,390
Retirement benefit scheme contributions	**47**	38
Share-based payments	**1,651**	–
	3,248	1,428

The emoluments of these three (2015: three) individuals with the highest emoluments are within the following band:

	2016	2015
Nil to HK$1,000,000	**3**	3

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. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

14. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Hong Kong Profits Tax		
– Current year	**(5)**	(159)
– Overprovision in prior years	**57**	604
	52	445
PRC Enterprise Income Tax ("PRC EIT")		
– Current year	**–**	–
Deferred tax		
– Current year *(Note 19)*	**(63)**	(463)
Income tax expense	**(11)**	(18)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

Macao Complementary Tax is calculated at the maximum progressive rate of 12% (2015: 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% (2015: 25%) for the year.

Artini Macao Commercial Offshore Limited (formerly known as 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 relevant group entities incurred tax losses for the years ended 31 March 2016 and 31 March 2015.

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:

	2016 HK$'000	2015 HK$'000
Loss before tax	**(100,019)**	(90,972)
Tax calculated at the rate applicable to the tax jurisdictions concerned	**(13,547)**	(13,273)
Tax effect of expenses not deductible for tax purposes	**19,486**	25,994
Tax effect of income not taxable for tax purposes	**(8,154)**	(21,193)
Tax effect of deductible temporary differences not recognised	**9**	46
Write-down of deferred tax assets on temporary differences previously recognised	**54**	565
Tax effect of utilisation of temporary differences previously not recognised	**–**	(148)
Tax effect of tax losses not recognised	**2,264**	8,808
Overprovision in prior years	**(57)**	(604)
Tax effect of utilisation of tax losses previously not recognised	**(29)**	(177)
Others	**(15)**	–
Income tax expense	**11**	18

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$100,030,000 (2015: HK$90,990,000) and the weighted average of approximately 2,527,702,000 (2015: approximately 1,142,403,000) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 March 2016 and 31 March 2015 is not presented because the exercise of outstanding share options during the years have anti-dilutive effect on the basic loss per share.

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 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
Exchange adjustments	–	(42)	(11)	–	(91)	–	(144)
Additions	–	4	24	–	603	–	631
Disposal of a subsidiary	–	(12)	(215)	–	–	–	(227)
Other disposals	–	–	–	–	(623)	–	(623)
Written-off	–	(1,344)	–	–	–	–	(1,344)
As at 31 March 2016	–	2,044	40	28	6,084	–	8,196
Accumulated depreciation and impairments							
As at 1 April 2014	9,984	10,769	25,262	2,560	7,598	1,864	58,037
Exchange adjustments	63	40	158	15	24	17	317
Provided 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
Exchange adjustments	–	(18)	(4)	–	(72)	–	(94)
Provided for the year	–	748	94	2	256	–	1,100
Eliminated on disposal of a subsidiary	–	(11)	(118)	–	–	–	(129)
Eliminated on other disposals	–	–	–	–	(623)	–	(623)
Written-off	–	(1,239)	–	–	–	–	(1,239)
As at 31 March 2016	–	1,980	40	20	5,271	–	7,311
Carrying amounts							
As at 31 March 2016	–	64	–	8	813	–	885
As at 31 March 2015	–	938	174	10	485	–	1,607

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 2016, the carrying amount of motor vehicle included an amount of approximately HK$562,000 (2015: Nil) in respect of assets held under finance lease (Note 25).

17. INVESTMENT PROPERTIES

	HK$'000
Cost	
As at 1 April 2014	11,302
Exchange adjustments	131
As at 31 March 2015	11,433
Disposals	(10,992)
Exchange adjustments	(441)
As at 31 March 2016	–
Accumulated depreciation	
As at 1 April 2014	2,212
Provided for the year	293
Exchange adjustments	27
As at 31 March 2015	2,532
Provided for the year	118
Eliminated on disposals	(2,552)
Exchange adjustments	(98)
As at 31 March 2016	–
Carrying amounts	
As at 31 March 2016	–
As at 31 March 2015	8,901

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 are erected on land held under medium-term land use rights in the PRC.

During the year ended 31 March 2016, all of the Group's investment properties were disposed.

18. INTANGIBLE ASSETS

	Trademarks HK$'000	Licence rights HK$'000	Total HK$'000
Cost			
As at 1 April 2014, 31 March 2015 and **31 March 2016**	**1,840**	**14,048**	**15,888**
Accumulated amortisation and impairments			
As at 1 April 2014, 31 March 2015 and **31 March 2016**	**1,840**	**14,048**	**15,888**
Carrying amount			
As at 31 March 2016	–	–	–
As at 31 March 2015	–	–	–

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.

19. DEFERRED TAXATION

The following are the Group's major deferred tax assets in respect of accelerated tax depreciation recognised and the movements thereon, during the current and prior years.

	HK$'000
As at 1 April 2014	(480)
Charged to profit or loss *(Note 14)*	463
Disposals of subsidiaries *(Note 30(a)(ii))*	(46)
As at 31 March 2015	**(63)**
Charged to profit or loss *(Note 14)*	**63**
As at 31 March 2016	**–**

As at 31 March 2016, the Group has deductible temporary difference of approximately HK$19,000 (2015 HK$455,000) 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 2016, the Group has unused tax losses of approximately HK$339,843,000 (2015: HK$334,184,000) 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 HK$137,697,000 (2015: HK$185,532,000) that will expire in the coming few years.

20. DEPOSITS PAID

	Notes	2016 HK$'000	2015 HK$'000
Deposits paid in respect of:			
– Acquisition of properties	*a*	**24,042**	–
– Acquisition of trademarks	*b*	**31,000**	–
		55,042	–

Notes:

a. Deposit paid in respect of acquisition of properties

The amount represents the deposit paid in respect of the acquisition of certain properties in the PRC. Pursuant to the Company's announcement dated 1 March 2016, Shenzhen Artini Hongli Enterprises Co. Ltd. ("CEPA", the "Purchaser"), an indirect wholly-owned subsidiary of the Company, and 河南大正投資置業有限公司 (Henan Dazhen Property Investment Company Limited, the "Seller") entered into the sale and purchase agreements (the "Properties Sale and Purchase Agreements") and pursuant to which, CEPA agreed to acquire and the Seller agreed to sell four properties located in Zhengzhou City, the PRC (the "Properties") to the Group for a total consideration of RMB20,000,000 (equivalent to approximately HK$24,042,000). Pursuant to the Properties Sale and Purchase Agreements, the Seller shall have applied for initial registration in respect of the Properties with governmental authorities by 31 July 2016 (and shall deliver the relevant building ownership certificate within 180 days of such registration), and shall deliver the Properties by 31 August 2016 in a completed state fitted with utilities. Where the Seller fails to deliver the Properties after 90 days from 31 August 2016, the Purchaser is entitled to terminate the relevant Properties Sale and Purchase Agreement for a refund together with compensation.

Further details of the above transaction are set out in the Company's announcement dated 1 March 2016.

b. Deposit paid in respect of acquisition of trademarks

The amount represents the deposit paid in respect of the acquisition of trademarks (the "Trademarks") which were registered in the PRC in relation to the retailing and distribution segment. During the year ended 31 March 2016, Instar International Co, Ltd, an indirectly wholly-owned subsidiary of the Company, agreed to acquire the Trademarks for a total consideration of HK$31,000,000 (equivalent to US$4,000,000). As at 31 March 2016, the titles of the Trademarks have not yet transferred to the Group and thus, the amount was classified as the "Deposits paid" in the Group's consolidated statement of financial position.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**428**	3,515

22. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**52,455**	20,980
Less: Allowances	**(17,177)**	(17,677)
Trade receivables, net	**35,278**	3,303
Rental deposits	**250**	2,250
Advances to staff	**10**	804
Receivable from disposals of subsidiaries *(Note 30)*	**1,400**	100
Other receivables, net of allowances	**2,565**	12,697
	4,225	15,851
	39,503	19,154

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:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**16,498**	308
31 – 60 days	**10,582**	–
61 – 90 days	**8,198**	2,837
Over 90 days	**–**	158
	35,278	3,303

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

	2016 HK$'000	2015 HK$'000
Over 6 months past due	**–**	158

22. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2016 HK$'000	2015 HK$'000
As at 1 April	17,677	10,240
Allowances	2,447	7,427
Reversal of provision for impairment	(2,905)	–
Disposal of a subsidiary	(2)	–
Exchange adjustments	(40)	10
As at 31 March	17,177	17,677

Other than the above allowances for doubtful debts, the Group did not provide any allowances 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.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the Group:

	2016 HK$'000	2015 HK$'000
US$	35,248	2,866
RMB	30	437

23. CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Cash and bank balances	10,858	122,822

As at 31 March 2016, the Group's bank balances carry interest at market rates ranged from 0.001% to 0.6% per annum (2015: 0.01% to 0.35% per annum).

The Group's cash and bank balances denominated in RMB which is not a freely convertible currency in the international market and the remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC in respect of the relevant group companies were as follows:

	2016 HK$'000	2015 HK$'000
Currency:		
RMB	4,430	47,957

24. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	37,820	4,094
Receipts in advance	4,176	6,430
Value added tax and other tax payables	11	13
Payrolls and staff cost payables	12	819
Other payables	6,726	14,438
	48,745	25,794

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit term of 30 to 90 days (2015: 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:

	2016 HK$'000	2015 HK$'000
Within 3 months	35,156	1,083
Over 1 year	2,664	3,011
	37,820	4,094

25. OBLIGATIONS UNDER FINANCE LEASE

At the end of the reporting period, the Group had obligations under finance lease repayable as follows:

	2016		2015	
	Present value of minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of minimum lease payments HK$'000	Total minimum lease payments HK$'000
Amount payables under finance lease:				
– Within one year	160	184	–	–
– Within a period of more than one year but not more than two years	169	184	–	–
– Within a period of more than two years but not more than five years	222	228	–	–
	551	596	–	–
Less: Total future finance charges	–	(45)	–	–
	551	551	–	–
Less: Amount due for settlement within one year shown under current liabilities	(160)		–	
Amount due for settlement after 12 months	391		–	

25. OBLIGATIONS UNDER FINANCE LEASE *(continued)*

The Group's obligations under finance lease are secured by the leased assets as set out in Note 16 to the consolidated financial statements.

It is the Group's policy to lease a motor vehicle under finance lease. The lease term is 4 years for the year ended 31 March 2016. Interest rates underlying all obligations under finance lease are fixed at respective contract dates at 2% per annum. The Group has option to purchase the motor vehicle at a nominal value at the end of the lease term. No arrangement has been entered into for contingent rental.

26. SHARE CAPITAL

	2016		2015	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Ordinary shares				
Authorised:				
As at 1 April	**30,000,000**	**300,000**	3,000,000	300,000
Share Consolidation *(note (a)(i))*	**–**	**–**	(1,500,000)	–
Capital Reduction *(note (a)(ii))*	**–**	**–**	–	(285,000)
Share Subdivision *(note (a)(iii))*	**–**	**–**	28,500,000	285,000
As at 31 March	**30,000,000**	**300,000**	30,000,000	300,000
Issued and fully paid:				
As at 1 April	**2,474,640**	**24,746**	1,237,320	123,732
Share Consolidation *(note (a)(i))*	**–**	**–**	(618,660)	–
Capital Reduction *(note (a)(ii))*	**–**	**–**	–	(117,545)
Issue of shares in respect of Open Offer *(note (b))*	**–**	**–**	1,855,980	18,559
Issue of shares in respect of Placing *(note (c))*	**95,200**	**952**	–	–
As at 31 March	**2,569,840**	**25,698**	2,474,640	24,746

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.

26. SHARE CAPITAL *(continued)*

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

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.

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$2,600,000 were approximately HK$183,000,000.

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

c. Issue of shares in respect of Placing

On 27 August 2015, the Company entered into a placing agreements with a placing agent to place 95,200,000 placing shares with the par value of HK$0.01 each at a price of HK$0.105 per placing share to certain independent placees (the "Placing"). The Placing has been completed on 10 September 2015.

Details of the Placing were disclosed in the Company's announcements dated 27 August 2015 and 10 September 2015.

All the new shares issued during the two years ended 31 March 2015 and 31 March 2016 rank pari passu with the then existing shares of the Company in all respects.

27. 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.

28. 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$5,000,000 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.

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

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

Name of category of participant	Particulars	Date of grant	Exercise price HK$	Exercise price after adjustment# HK$	Exercise period	Number of share options: Outstanding as at 1 April	Adjustment due to Share Consolidation and Open Offer#	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	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.

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

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

Name of category of participant	Particulars	Date of grant	Exercise price HK$	Exercise period	Number of share options: Outstanding as at 1 April	Granted during the year	Outstanding as at 31 March
Year ended 31 March 2016							
Directors							
Mr. Tse Hoi Chau	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	10,000,000	10,000,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	10,000,000	10,000,000
Mr. Lin Shao Hua	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	10,000,000	10,000,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	10,000,000	10,000,000
Employees	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	800,000	800,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	800,000	800,000
	Tranche M *(note (e))*	27 November 2015	0.1488	27 November 2015 to 26 November 2020	–	16,000,000	16,000,000
	Tranche N *(note (e))*	27 November 2015	0.1488	27 November 2016 to 26 November 2020	–	16,000,000	16,000,000
Others							
– Consultants	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	33,357,000	–	33,357,000
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	10,100,000	10,100,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	10,100,000	10,100,000
	Tranche M *(note (e))*	27 November 2015	0.1488	27 November 2015 to 26 November 2020	–	112,100,000	112,100,000
	Tranche N *(note (e))*	27 November 2015	0.1488	27 November 2016 to 26 November 2020	–	112,100,000	112,100,000
– Others	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
					60,042,600	318,000,000	378,042,600
Weighted average exercise prices					0.4709	0.1485	0.1997

28. 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 which was 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 2014"); (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 2014; and (iii) the nominal value of the share of HK$0.10 each in the capital of the Company.

d. Pursuant to the Company's announcement on 9 July 2015, a total of 61,800,000 share options to subscribe for ordinary shares of HK$0.01 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:	9 July 2015
Exercise price of share options granted:	HK$0.147 per share
Number of share options granted:	61,800,000 share options
Closing price of the share on the date of grant:	HK$0.136
Exercise periods	
– 30,900,000 share options	9 July 2015 to 8 July 2020
– 30,900,000 share options	9 July 2016 to 8 July 2020

   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$0.147 per share, which represents the higher of (i) the closing price of HK$0.136 per share as stated in the daily quotations sheet issued by the Stock Exchange on 9 July 2015, being the date of grant (the "Date of Grant 2015(A)"); (ii) the average closing price of HK$0.147 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 2015(A); and (iii) the nominal value of the share of HK$0.01 each in the capital of the Company.

   A maximum of 50% of the total number of share options granted to the eligible participants may be exercisable immediately after the Date of Grant 2015(A). The remaining 50% of the total number of share options granted to the eligible participants may be exercisable after 8 July 2016. The fair value of the share options is expensed on a straight-line basis over the vesting period.

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

Notes: (continued)

e. Pursuant to the Company's announcement on 27 November 2015, a total of 256,200,000 share options to subscribe for ordinary shares of HK$0.01 each of the Company were granted to certain eligible participants, including the 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:	27 November 2015
Exercise price of share options granted:	HK$0.1488 per share
Number of share options granted:	256,200,000 share options
Closing price of the share on the date of grant:	HK$0.147
Exercise periods	
– 128,100,000 share options	27 November 2015 to 26 November 2020
– 128,100,000 share options	27 November 2016 to 26 November 2020

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$0.1488 per share, which represents the higher of (i) the closing price of HK$0.147 per share as stated in the daily quotations sheet issued by the Stock Exchange on 27 November 2015, being the date of grant (the "Date of Grant 2015(B)"); (ii) the average closing price of HK$0.1488 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 2015(B); and (iii) the nominal value of the share of HK$0.01 each in the capital of the Company.

A maximum of 50% of the total number of the share options granted to the eligible participants may be exercisable immediately after the Date of Grant 2015(B), and the remaining 50% of the total number of the share options granted to the eligible participants may be exercisable after 26 November 2016. The fair value of the share options is expensed on a straight-line basis over the vesting period.

As at 31 March 2016, the outstanding options granted on 28 March 2014 had an exercise price of HK$0.4709 (2015: HK$0.4709 (after the adjustment of Share Consolidation and Open Offer)) and a weighted average remaining contractual life of 2.99 years (2015: 3.99 years).

As at 31 March 2016, the outstanding options granted on 9 July 2015 had an exercise price of HK$0.147 and a weighted average remaining contractual life of 4.27 years.

As at 31 March 2016, the outstanding options granted on 27 November 2015 had an exercise price of HK$0.1488 and a weighted average remaining contractual life of 4.66 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.

Share-based payment expenses of approximately HK$16,565,000 (2015: Nil) has been included in the consolidated statement of profit or loss for the year ended 31 March 2016 which gave rise to a share-based payment capital reserve and details are summarised as following:

i. During the year ended 31 March 2016, the fair value of the share options granted to the Directors and employees of the Company was estimated at approximately HK$5,676,000 (2015: Nil). The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The Group recognised the total expense of approximately of HK$4,427,000 for the year ended 31 March 2016 (2015: Nil) in relation to the share options granted to the Directors and employees of the Company.

ii. During the year ended 31 March 2016, the fair value of the share options granted to the consultants was estimated at approximately HK$17,886,000 (2015: Nil). 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$17,886,000 (2015: Nil). The Group recognised the total expense of approximately HK$12,138,000 (2015: Nil) for the year ended 31 March 2016 in relation to the share option granted to the consultants.

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

Notes: (continued)

The fair values of share options granted during the year ended 31 March 2016 were determined by the Directors with reference to a valuation performed by an independent valuer, BMI Appraisals Limited.

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

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	9 July 2015	9 July 2015	27 November 2015	27 November 2015
Tranche	H	I	J	K	L	M	N
Fair value per share option at measurement date (HK$)							
– Directors	HK$0.098	HK$0.134	HK$0.120	HK$0.079	HK$0.082	N/A	N/A
– Employees	N/A	N/A	HK$0.108	HK$0.072	HK$0.076	HK$0.071	HK$0.075
– Consultants	N/A	N/A	HK$0.135	HK$0.072	HK$0.076	HK$0.071	HK$0.075
Exercise price (HK$)	HK$0.222	HK$0.222	HK$0.2618	HK$0.147	HK$0.147	HK$0.1488	HK$0.1488
Expected volatility (%)	69.56%	71.76%	74.3%	88.18%	88.18%	88.81%	88.81%
Expected option period (Years)	3 years	6 years	5 years	5 years	5 years	5 years	5 years
Risk-free rate (based on Hong Kong Exchange Fund Notes) (%)	0.350%	0.790%	1.474%	1.129%	1.129%	1.053%	1.053%
Expected dividend yield (%)	0%	0%	0%	0%	0%	0%	0%
Fair value	588,000	806,000	13,572,000	2,368,000	2,462,000	9,105,000	9,627,000

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 behavioral 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 2016, the Company had 378,042,600 (2015: 60,042,600) 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 378,042,600 (2015: 60,042,600) additional ordinary shares of the Company and additional share capital of HK$3,780,426 (2015: HK$600,426) and share premium of approximately HK$71,701,000 (2015: HK$27,673,000) (before the issue expenses).

29. OTHER COMMITMENTS

a. Operating leases

The Group as lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments paid under operating leases during the year in respect of office premises, shops and Directors' quarters	1,985	9,726

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:

	2016 HK$'000	2015 HK$'000
Within one year	918	4,169
In the second to the fifth years, inclusive	518	3,644
	1,436	7,813

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 two years (2015: one to four 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:

	2016 HK$'000	2015 HK$'000
Within one year	–	234
In the second to the fifth years, inclusive	–	550
	–	784

Property rental income earned was approximately HK$20,000 in 2014. The Group's properties held for rental purposes have been disposed during the year ended 31 March 2016.

29. OTHER COMMITMENTS *(continued)*

b. Capital commitments

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

	2016 **HK$'000**	2015 HK$'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

30. DISPOSAL OF SUBSIDIARIES

a. 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 announcements 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

30. DISPOSAL OF SUBSIDIARIES *(continued)*

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

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

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 liabilities 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

30. DISPOSAL OF SUBSIDIARIES *(continued)*

a. 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 liabilities 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)

30. DISPOSAL OF SUBSIDIARIES *(continued)*

b. Disposal of a subsidiary during the year ended 31 March 2016

On 18 March 2016, 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 Guangzhou Artini Strategic Sales Co., Ltd. ("GAL") for a consideration of HK$1,400,000. GAL is a private limited liability company incorporated in the PRC which was a former wholly owned subsidiary of the Company. The consideration was recorded as a receivable as at 31 March 2016.

Consideration transferred

	HK$'000
Consideration recorded as receivable *(Note 22)*	1,400

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

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	98
– Inventories	806
– Trade and other receivables	1,294
– Amounts due from group companies	81,953
– Cash and cash equivalents	97
– Trade and other payables	(875)
– Amounts due to group companies	(93,259)
Total identifiable net liabilities disposed of	(9,886)
Cumulative exchange differences in respect of the net liabilities of GAL reclassified from equity to profit or loss upon the disposals of GAL	(37)
Waiver of amounts due from/to GAL – net	11,306
Gain on disposals of a subsidiary	17
Total consideration recorded as receivable *(Note 22)*	1,400

Net cash outflow arising on the disposal of GAL

	HK$'000
Cash consideration	–
Less: Cash and cash equivalents disposed of	(97)
	(97)

31. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

a. 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.

b. Key management personnel remuneration

During the years ended 31 March 2015 and 31 March 2016, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**4,920**	6,061
Retirement benefit scheme contributions	**65**	57
Share-based payments	**4,427**	–
	9,412	6,118

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

32. PLEDGE OF ASSETS

At 31 March 2016, a motor vehicle with a carrying value of approximately HK$562,000 (2015: Nil) was pledged to the financial institution to secure the obligations under finance lease to the Group.

33. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$603,000.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	*a*	**58,792**	143,816
CURRENT ASSETS			
Other receivables		**–**	8,857
Cash and bank balances		**1,573**	48,374
		1,573	57,231
CURRENT LIABILITIES			
Amounts due to subsidiaries		**17,845**	17,202
Other payables		**2,585**	700
		20,430	17,902
NET CURRENT (LIABILITIES) ASSETS		**(18,857)**	39,329
NET ASSETS		**39,935**	183,145
CAPITAL AND RESERVES			
Share capital		**25,698**	24,746
Reserves	*b*	**14,237**	158,399
TOTAL EQUITY		**39,935**	183,145

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 June 2016 and are signed on its behalf by:

Tse Hoi Chau
Director

Lin Shao Hua
Director

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

Notes:

a. Interests in subsidiaries

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost	**153,424**	153,424
Fair value of share options granted to employees of subsidiaries	**5,189**	5,189
Amounts due from subsidiaries	**339,780**	372,701
Less: Impairments	**(439,601)**	(387,498)
	58,792	143,816

During the years ended 31 March 2016 and 31 March 2015, a number of the Company's subsidiaries had sustained losses and had net liabilities as at 31 March 2016 and 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:

	2016 HK$'000	2015 HK$'000
As at 1 April	**387,498**	669,426
Allowances	**55,637**	61,792
Disposals of subsidiaries	**(3,289)**	(325,319)
Reversal of provision for impairments	**(245)**	(18,401)
As at 31 March	**439,601**	387,498

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 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 26(a))*	–	–	–	117,545	117,545
Issuance of shares in respect of Open Offer *(Note 26(b))*	167,039	–	–	–	167,039
Transaction costs attributable to the issue of shares *(Note 26(b))*	(2,551)	–	–	–	(2,551)
Lapsed of share options *(Note 28)*	–	–	(1,146)	1,146	–
As at 31 March 2015	714,462	133,424	13,572	(703,059)	158,399
Loss and total comprehensive expense for the year	–	–	–	(169,331)	(169,331)
Issuance of shares upon Placing *(Note 26(c))*	9,044	–	–	–	9,044
Transaction costs attributable to the issue of shares *(Note 26(c))*	(440)	–	–	–	(440)
Recognition of share options *(Note 28)*	–	–	16,565	–	16,565
As at 31 March 2016	**723,066**	**133,424**	**30,137**	**(872,390)**	**14,237**

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.

35. EVENT AFTER REPORTING PERIOD

Acquisition of the entire equity interests of Primeview Technology Limited

Pursuant to the Company's announcements dated 13 April 2016, Artini Sales Company Limited ("ACL"), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Stand Charm Limited ("Stand Charm") and Dragon Max Enterprises Limited ("Dragon Max") (collective referred to as the "Vendors") in relation to the proposed acquisition of the entire equity interest in Primeview Technology Limited (the "Target Company", a company incorporated in Hong Kong with limited liability and is 94% owned by Stand Charm and 6% owned by Dragon Max, respectively) for an aggregate consideration of HK$160,000,000, of which will be satisfied in cash from the net proceeds of the subscription by issuing a total of 2,440,000,000 new shares of the Company (the "Subscription Shares(s)") at the subscription price of HK$0.074 per Subscription Share to Walifax Investments Limited (the "Subscriber", a company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Tse Hoi Chau, the executive Director, chairman and chief executive officer of the Company). The principal business of the Target Company is engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services.

Further details of the above transactions are set out in the Company's announcements dated 13 April 2016, 4 May 2016, 25 May 2016 and 15 June 2016.

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 2016 %	Percentage of equity attributable to the Company 2015 %	Proportion of voting power held by the Company 2016 %	Proportion of voting power held by the Company 2015 %	Issued and fully paid-up/registered capital	Principal activities
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 Macao Commercial Offshore Limited (Formerly known as Arts Empire Macao Commercial Offshore Limited)	Macao	Macao	100	100	100	100	MOP 200,000	Trading of fashion accessories and related raw materials
Artini Sales Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Trading of fashion accessories

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 2016 %	Percentage of equity attributable to the Company 2015 %	Proportion of voting power held by the Company 2016 %	Proportion of voting power held by the Company 2015 %	Issued and fully paid-up/registered capital	Principal activities
Artist Empire Jewellery Mfy. Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Inactive
Artist Empire Silver Jewellery Mfy. Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Inactive
China Regent Investments Limited	Hong Kong	Hong Kong	100	100	100	100	1 ordinary share of HK$1 each	Inactive
Gain Trade Enterprise Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Provision of management services
Gentleman Investments Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Inactive
Guangzhou Artini Strategic Sales Company Limited *(Notes a and b)*	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 b)*	PRC	PRC	100	100	100	100	HK$200,000,000	Retailing of fashion accessories

Notes:

a. During the year ended 31 March 2016, the Group disposed of this entity.

b. 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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