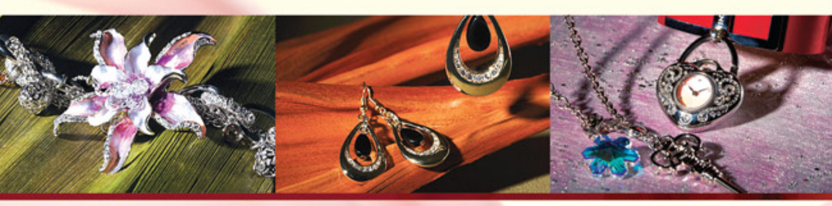
ARTINI
雅天妮

Incorporated in Bermuda with limited liability | Stock Code: 789



ARTINI CHINA CO. LTD. 雅天妮中國有限公司

Annual Report 2011-12


ARTINI
雅天妮
www.artini-china.com

Excellence, Passionate,
Exceptional Originality,
Exceeding Expectation.

ARTINI WOMEN are strong, bold, hip and cool. They are powerful, loving, charming and chic. Being successful means recognizing who our customers are and making potential customers recognize who they could be.

Contents

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

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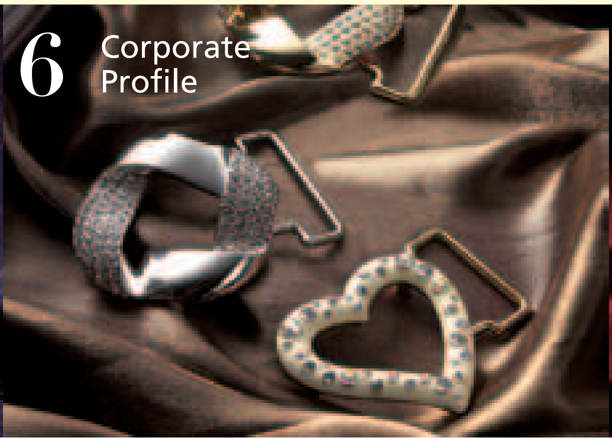


Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Chiu Kwan
(Chairman and Chief Executive)
Ms. Yip Ying Kam
(Vice Chairman and Chief Operational Officer)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Chan Shu Hung Joseph (appointed on 29 June 2012)

AUDIT COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Lau Yiu Kit
Mr. Chan Shu Hung Joseph (appointed on 29 June 2012)

REMUNERATION COMMITTEE

Mr. Chan Shu Hung Joseph (Chairman)
(appointed on 29 June 2012)
Mr. Tse Chiu Kwan
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

NOMINATION COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Tse Chiu Kwan
Mr. Lau Yiu Kit
Mr. Chan Shu Hung Joseph (appointed on 29 June 2012)

COMPANY SECRETARY

Mr. Lo Wah Wai, *HKICPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Tse Chiu Kwan
Mr. Lo Wah Wai, *HKICPA, AICPA*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Flat B1, 1st Floor
Kaiser Estate, Phase 1
41 Man Yue Street
Hunghom
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
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 PRC law

Guangdong Zhiming Lawfirm
17/F, West Block
Xincheng Building
No. 1027, Shennan Road C.
Shenzhen, Guangdong

As to Bermuda law

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

As to Macao law

Gonçalves Pereira, Rato, Ling, Vong & Cunha –
Avenida da Amizade, 555-Macao Landmark
Office Tower, 23rd Floor, Room 2301–2302
Macao SAR

COMPLIANCE ADVISER

Guangdong Securities Limited
Unit 2505–06
25/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITORS

Mazars CPA Limited
42/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda

Hong Kong branch share registrar and transfer office

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

INVESTOR RELATIONS

PR ASIA Consultants Limited
5/F, Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

LISTING EXCHANGE INFORMATION

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

789

COMPANY'S WEBSITE

www.artini-china.com

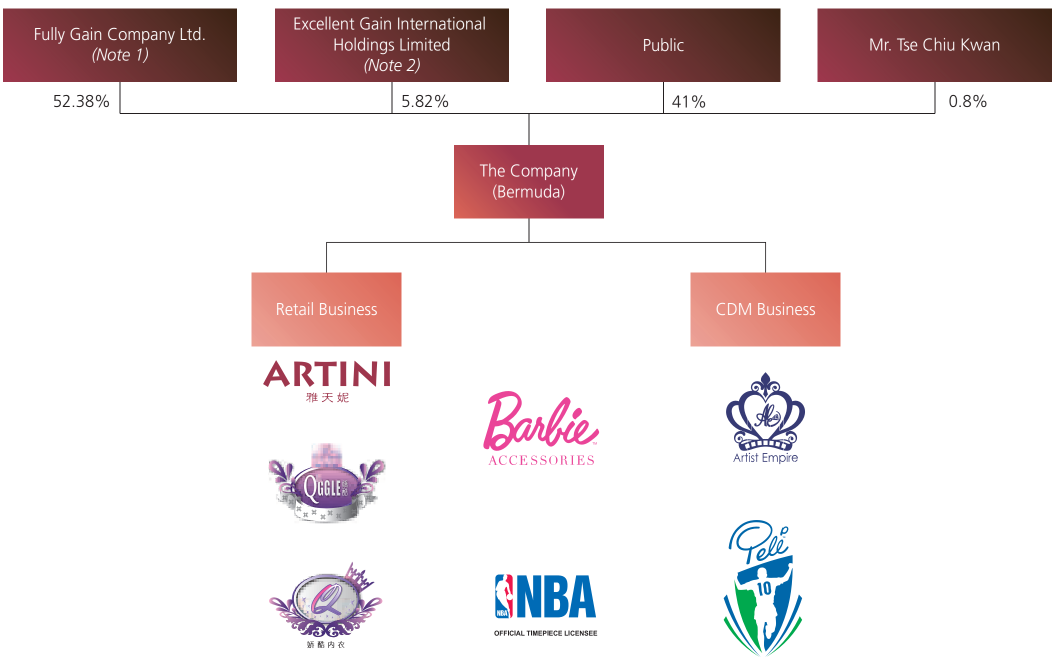
Corporate Profile

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

Under the Group's brand portfolio, it had initially launched 2 proprietary brands, Artini and Q'ggle; and then brought in world famous licensing brands of NBA, Barbie and Pelé. Q'ggle Lingerie has been launched subsequently for the young female and Artist Empire has tapped into the gifts and premiums market. Our brands are distributed in the PRC and Hong Kong through retail stores, concessions, authorized retail outlets and online platforms. By means of a well-established vertically integrated business model, the Group is selling merchandise while implementing the concurrent design manufacturing ("CDM") model to develop, design, and manufacture products for the Group's seven brands and world-renowned brands including Marks & Spencer, Disney and Nine West of over 10 million pieces annually, distributing to the PRC, Europe and America etc.

As at 31 March 2012, the Group's retail network comprised about 50 retail points across 10 cities in the PRC and Hong Kong, with a strong presence in first-tier cities such as Beijing, Shanghai and Shenzhen.

As at the date of this report, the corporate structure of our Group was as follows:



Notes:

1. Fully Gain Company Ltd. is a company incorporated in the British Virgin Islands and wholly owned by Mr. Tse Chiu Kwan.

2. Excellent Gain International Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by Ms. Yip Ying Kam.

Five-Year Financial Highlights

(All amounts in HK$ thousands unless otherwise stated)

	For the year ended 31 March				
	2012	2011	2010	2009	2008
Turnover	**323,311**	362,921	366,119	564,101	596,739
Gross profit	**73,689**	145,056	175,777	237,608	376,426
(Loss)/profit from operations	**(146,728)**	(170,106)	(98,483)	(137,641)	130,437
(Loss)/profit for the year	**(144,291)**	(176,717)	(100,449)	(140,529)	110,024
Non-current assets	**104,452**	133,349	120,956	121,083	105,214
Current assets	**236,406**	349,555	425,567	393,657	269,868
Current liabilities	**79,998**	82,861	81,441	51,185	193,097
Net current assets	**156,408**	266,694	344,126	342,472	76,771
Total assets less current liabilities	**260,860**	400,043	465,082	463,555	181,985
Total equity	**260,172**	394,013	463,192	461,525	154,362
Gross profit margin (%)	**22.8**	40.0	48.0	42.1	63.1
Net (loss)/profit margin (%)	**(44.6)**	(48.7)	(27.4)	(24.9)	18.4
Basic and diluted (loss)/earnings per share (HK$)	**(0.116)**	(0.143)	(0.098)	(0.145)	0.147
Current ratio (X)	**3.0**	4.2	5.2	7.7	1.4
Return on equity (%)	**(55.5)**	(44.9)	(21.7)	(45.6)	86.3
Return on assets (%)	**(42.3)**	(36.6)	(18.9)	(31.6)	36.4

Chairman's Statement

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

Dear Shareholders,

On behalf of the Company and the Group, I hereby present the annual report on the consolidated results of the Group for the year ended 31 March 2012 (the "Year") to the Shareholders and provide the Shareholders with an overview of the strategies and business prospect of the Group.

RESOURCE REALLOCATION FOR TWO LINES OF DEVELOPMENT

The global economy was crippled by, among other matters, the Euro debt crisis and the earthquake in Japan during 2011 and left behind numerous uncertainties. Despite that we had now entered 2012, the Group was of the opinion that it was not in a position to make any anticipation on future market trends. Hence, under such a challenging environment, the Group decided to reallocate its existing resources and consolidate business development strategies in order to equip itself for future opportunities.

In view of the rental pressure and surging operating costs in both Mainland China and Hong Kong, it was crucial for the Group to cut down its operating expenses. During the Year, the Group strategically shut down self-operating stores with relatively poor performance to reduce rental cost. During the year, retail points dropped by approximately

58%. This enabled the Group to focus resources on expanding its proprietary brands, "Artini" and "Q'ggle", and to reach customers from different age groups by the simultaneous development on the two markets highlighted by elegance and youthfulness respectively.

In addition, the Group successfully invited management talent with extensive sales experience to join so as to complement each other's skills and expertise. Experience sharing provided front-line sales staff with all-round professional training and hence allowed the Group to capture any opportunities in the market as soon as they arise.

STRENGTHENING OF RETAIL DISTRIBUTION TO EXTEND NETWORK COVERAGE

During the Year, the Group also negotiated with various chain department store retailers on the cooperation in a model known as "shop in a shop", by which rental cost could be lowered and cost-effectiveness of the Group enhanced through effectively increasing the selling points of the two proprietary brands. Apart from the self-operating selling points, the Group also actively invited distributors to join the franchise business and reformulated the terms of franchise so as to achieve a win-win situation. Moreover, the Group further consolidated its business development relationship with distributors through various means, which included developing products, exploring online marketing resources, promoting trade and improving relationship with distributors, as well as engaging in low-cost regional promotional activities for valued customers and enhancing media relationship.

During the Year, the Group cooperated with GuangDong Post Advertising Co. Ltd. ("China Post") to develop a series of accessories and products related to China Post. The Group planned to leverage on this cooperation platform to expand market coverage by further developing other distribution channels and product categories.

Moreover, the Group will strengthen its marketing and promotional efforts on internet platform in order to strive for the highest appearance rate with the lowest cost. The Group will actively look for suitable platforms and cooperation partners to boost online sales and expand e-commercial sales channels.

VERTICALLY INTEGRATED MODEL TO PROMOTE STUNNING DESIGN AND CRAFTSMANSHIP

CDM, another core business of the Group, was also impacted by the peripheral economic environment, especially the European and American markets. Over the years, the Group had been taking further steps to identify new customers worldwide, particularly in the emerging markets like China and Russia. During the Year, the turnover of Russia increased by nearly 63.1%. The success in attracting new customers lied in the long-established vertically integrated model of the Group and stringent requirements from design, craftsmanship to finished products, which won over more internationally renowned brand customers.

The Group will further expand the gifts market and proactively seek for cooperation with quality manufacturers to further increase the CDM production volume, so as to capture the business opportunities in the mid-end market. The Group has set up a showroom in Hong Kong's headquarter to give its customers a personal experience on the unique design and exquisite craftsmanship of the Group's products. Through online advertisement of its proprietary gifts and CDM business, the Group will receive higher market recognition and thereby increase its market share in China.

Looking ahead, the Group will spare no efforts to explore new sales channels, strengthen sales network and enhance business coverage in Mainland China through its diversified sales platforms, such as television and the Internet, in order to promote tasteful and fashionable accessories in the Greater China region. Meanwhile, the Group will further strengthen the CDM business and consolidate its market share through designing and producing, with a fashion sense that matches with the latest trend, more premium products for customers.

Lastly, I would like to, on behalf of the Board of the Company, express my sincerest gratitude to our employees, shareholders, customers, suppliers and partners. The Group is committed to improving our performance for the Shareholders and all parties for their on-going support.

Tse Chiu Kwan
Chairman

Hong Kong, 29 June 2012

ARTINI
雅天妮

SPARKS OF LIFE is the philosophy of ARTINI.

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

ARTINI
雅天妮

ARTINI
雅天妮

Artist Empire

娇酷内衣

Q'GGLE 嬌酷

Management Discussion and Analysis

BUSINESS REVIEW

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

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

RETAIL BUSINESS

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

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

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

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

CDM BUSINESS

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

The Group has been actively expanding its business in the gift and premium market in the PRC through providing one-stop gift and premium services to domestic large

enterprises. During the Year, the Group provided gifts and premium production services for Bank of China, China Post, Proya, etc.

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

PROSPECTS

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

Despite the uncertain economy, the Group is still optimistic about the global gift market, particularly the emerging markets with tremendous potential such as China and Russia. The Group will proactively develop its CDM business in those markets, seek new customers and cooperate with large enterprises by designing and manufacturing souvenirs for their existing and target customers, and explore more market opportunities. In

addition, the Group will strengthen its marketing and promotional work, particularly in online promotion, in the hope that the brand awareness from its target customers will be raised at a minimal cost. Eventually, the Group will be able to expand its market and maximizing the returns.

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

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

FINANCIAL REVIEW

Turnover

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

CDM business

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

Retail business

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

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the American, the European, and Hong Kong and Macao markets, which accounted for 23.5%, 10.6%, 30.3% and 29.4% of the turnover respectively in 2012, compared to 27.6%, 15.0%, 34.2% and 17.5% in 2011.

Cost of sales

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

Gross profit

The overall gross profit of the Group decreased from HK$145,056,000 in 2011 to HK$73,689,000 in 2012, representing a decrease of 49.2%. The gross profit margin also decreased from approximately 40.0% to approximately 22.8%, primarily due to decrease in revenue from retail sales, which has higher gross profit margin than CDM business, and decline in gross profit margin of retail business.

Operating expenses

Operating expenses for the Year accounted for 65.1% of the Group's total sales, compared with 70.6% of last year. They mainly comprised selling and distribution costs as well as administrative outlays, all of which were effectively managed by the Group's reinforced management team along with strengthened internal oversight and process control.

Selling and distribution costs decreased from approximately HK$195,641,000 for the year ended 31 March 2011 to approximately HK$148,138,000 for the Year, representing a decrease of approximately HK$47,503,000. The reduction in selling and distribution costs was mainly attributable to the decrease in the Group's rental and staff costs as a consequence of decrease in retail points.

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

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

Loss attributable to owners of the Company

Loss attributable to owners of the Company was HK$143,342,000 (2011: HK$176,555,000) for the Year.

Financial guarantees issued

The Company and certain of its wholly-owned subsidiaries were covered by a cross-guarantee arrangement with respect to certain banking facilities granted to the Group.

Income tax

During the Year, the income tax credit of the Group amounted to HK$4,139,000 (2011: tax expense of HK$2,771,000). The change was mainly due to the recognition of deferred tax assets.

Loss per share

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

Dividend

The Board does not recommend the payment of any final dividends for the Year (2011: HK$Nil).

Foreign exchange exposure

The main business activities of the Group take place in the PRC, the United States, Europe and Hong Kong with most transactions settled in Renminbi, United States dollars and Hong Kong dollars. Foreign currency exposure to United States dollars is minimal as Hong Kong dollars is pegged to the United States dollars. During the fiscal year, the exchange rate of Renminbi to Hong Kong dollars increased steadily. Accordingly, the Directors consider that the potential foreign exchange exposure of the Group is relatively limited. Moreover, the Group has not used any forward contracts or other derivative products to hedge interest rate or exchange rate risks. The management of the Group will, nonetheless, continue to monitor foreign currency risks and adopt prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities. During the Year, the Group recorded net exchange loss of approximately HK$428,000.

Significant Investments and Acquisitions

During the Year, the Group did not have any significant investments, acquisitions or disposals of subsidiaries. The Group continued to seek opportunities to acquire and cooperate with international customers in order to generate better returns for the shareholders and the Board will decide what the best available source of funding is for the investments and acquisitions when suitable opportunities arise.

Impairment loss on trade and other receivables

For the Year, the impairment loss on trade and other receivables amounted to approximately HK$5,103,000 (2011: HK$7,701,000).

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

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

Impairment loss on intangible assets and goodwill

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

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

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

iii) The marketing campaigns were not successful.

Impairment of trade debtors

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

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

Employees and emoluments

As at 31 March 2012, the Group had approximately 1,690 employees (2011: 1,900). To enhance their expertise, product knowledge, marketing skills and overall operational management abilities, the Group organises regular training and development courses for staff, providing them with a competitive remuneration package, including salary, allowance, insurance and commission/bonus. The Group also participated in retirement benefits schemes for its employees in Hong Kong and the PRC.

Liquidity and financial resources

During the Year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2012, the bank loan of the Group amounted to HK$20,101,000, which was denominated in Renminbi, was secured by pledging of a property with carrying value of HK$22,304,000 (2011: HK$22,976,000) and repayable by 14 December 2013. As it was a loan with a clause in its term that gave the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it was classified as current liabilities even though the Directors did not expect that the bank would exercise their rights to demand repayment.

Apart from this bank loan, the Group has also obtained general banking facilities which were secured by legal charge over certain of its properties with an aggregate carrying value of HK$4,091,000 (2011: HK$8,024,000) and cross corporate guarantee given by the Group. At the end of the reporting period, banking facilities available to the Group amounted to HK$503,000 (2011: HK$11,598,000), which were utilised by the Group to the extent of HK$463,000 (2011: HK$1,250,000).

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

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group was 24% as at 31 March 2012 (2011: 18%). The Group had time deposits and cash balances as at 31 March 2012 amounted to HK$96,163,000 (2011: HK$131,117,000).

The Group continues to adopt a policy of dealing principally with customers with whom the Group has enjoyed a long cooperation relationship so as to minimise credit risk in its business.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2012 (2011: Nil).

Sparkling the Fashion Accessories Market in the PRC

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

ARTINI
雅天妮

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. TSE Chiu Kwan, aged 48, is the co-founder of the Group and was appointed as the Chairman of the Board and an executive Director on 14 June 2007. He was further appointed as the chief executive of the Company on 28 November 2011. He is also a member of the remuneration committee and nomination committee of the Company and an authorised representative of the Company. He is a director of a number of subsidiaries of the Company. Mr. Tse, co-founded the Group in June 1992, is primarily responsible for the Group's overall management, strategic planning and business development. He has more than 21 years of experience in the fashion jewelry industry. Mr. Tse is currently the honorary president of the Hong Kong Pearl Association and the Hong Kong Gold & Silver Ornaments Workers & Merchants General Union and the honorary president of the Hong Kong Gemstone Manufacturers' Association. Mr. Tse has also been awarded the "中國國際愛國愛港傑出人士獎" jointly by the Investment Committee of Outstanding Chinese People for the Celebration of the 10th Anniversary of the Return of Sovereignty of Hong Kong ("香港回歸十週年座談會暨投資交流會"), the China Straits Triplace Experts Enterpriser Associations, The Hong Kong Small and Medium Enterprises Association and Shenzhen City Southern Privately Run Science and Technology Institute, and the "中國企業創新優秀人物" jointly by China Marketing Association and the China Enterprise News Agency and an honorary citizen of Shanwei City. In December 2009, Mr. Tse has been awarded the "保增長、促發展 — 2009年中國經濟產業振興年度人物創新獎"jointly by 新華社《經濟參考報》社，中國國際經濟技術交流中心 and 《中國城市經濟》雜誌社。Mr. Tse is also a member of the 5th term of the Guangdong Shanwei Committee of the Chinese People's Political Consultative Conference. Mr. Tse is the spouse of Ms. Yip Ying Kam, an executive Director. Mr. Tse is the sole director of Fully Gain Company Ltd. which was interested in 648,088,000 shares of the Company as at 31 March 2012.

Ms. YIP Ying Kam, aged 48, is the co-founder of the Group and was appointed as the Vice Chairman of the Board on 14 June 2007 and was re-designated as a non-executive Director on 17 July 2009. She was re-designated as an executive Director on 23 February 2012 and further appointed as the chief operational officer of the Company on 11 May 2012. She is a director of a number of subsidiaries of the Company. Ms. Yip, co-founded the Group in June 1992 with Mr. Tse Chiu Kwan, is primarily responsible for overseeing the corporate development, investment divisions, administration, human resources and information technology of the Group. Following her academic studies, she joined Mr. Tse in managing the Group's business. Ms. Yip has over 20 years of experience in the fashion jewelry industry. Ms. Yip has obtained an Honours Diploma in history from the Hong Kong Baptist College (now known as the Hong Kong Baptist University). Ms. Yip is the spouse of Mr. Tse Chiu Kwan, an executive Director. Ms. Yip is the sole director of Excellent Gain International Holdings Limited which was interested in 72,000,000 shares of the Company as at 31 March 2012.

Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 40, 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, auditing and company secretarial practices. He is a practising certified public accountant in Hong Kong and is currently the Joint Company Secretary of BBMG Corporation 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 EC-Founder (Holdings) Company Limited, both of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lau previously worked in Price Waterhouse Company Limited (now known as PricewaterhouseCoopers) as a senior auditor. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountant in England and Wales and a fellow member of 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 Yiu Kit, aged 52, was appointed as independent non-executive Director on 1 December 2010. He is also a member of the audit committee, the remuneration 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. CHAN Shu Hung Joseph, aged 65, was appointed as independent non-executive Director on 29 June 2012. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. Mr. Chan is a practising solicitor in Hong Kong and has practised as such for 7 years since 2005. He obtained the Bachelor of Laws (LLB) degree of the Peking University in 1992, the Master of Laws (LLM) degree of the University of Hong Kong in 1998, the Bachelor of Laws (LLB) degree of the University of London in 2001 and the Postgraduate Certificate in Laws (PCLL) of the University of Hong Kong in 2003. He was admitted as a solicitor of the High Court of Hong Kong in 2005 and as a solicitor of the Supreme Court of England and Wales in 2006. Prior to shifting his career to the legal profession, he had worked as a civil servant of the Hong Kong Government for 27 years.

COMPANY SECRETARY

Mr. LO Wah Wai, aged 48, has been appointed as the Company Secretary of the Company since 14 January 2009. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. He has over 20 years of experience in the accounting and finance industry.

Report of the Directors

The Directors submit herewith their report together with the audited financial statements for the Year.

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 Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are design, manufacturing, retailing and distribution and CDM of fashion accessories. The principal activities and other particulars of principal subsidiaries of the Company are set out in note 18 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 6 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 36.3% (2011: 25.6%) of the total sales. The top five suppliers accounted for approximately 20.69% (2011: 40.9%) of the total purchases for the Year. In addition, the Group's largest customer accounted for approximately 21.6% (2011: 7.9%) of the total sales and the Group's largest supplier accounted for approximately 5.4% (2011: 12.1%) of the total purchases for the Year.

At no time during the Year 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.

Significant related party transactions entered into by the Group during the Year, which do not constitute connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 35 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at 31 March 2012 are set out in the financial statements on pages 48 to 120 respectively.

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of HK$143,342,000 (2011: HK$176,555,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The Directors do not recommend the payment of a final dividend for the Year (2011: HK$Nil).

CHARITABLE DONATIONS

The Group did not have charitable donation during the Year (2011: HK$Nil).

FIXED ASSETS

Details of movements in fixed assets during the Year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 29 to the financial statements.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Tse Chiu Kwan
Mr. Lin Shao Hua (resigned on 31 October 2011)
Mr. Lau Yau Chuen, Louis (resigned on 18 July 2011)
Ms. Yip Ying Kam (re-designated from non-executive Director to executive Director on 23 February 2012)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Fan William Chung Yue (resigned on 8 May 2012)
Mr. Lau Yiu Kit
Mr. Chan Shu Hung Joseph (appointed on 29 June 2012)

Pursuant to Bye-law 87 of the bye-laws of the Company (the "Bye-laws"), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Bye-law 87 of the Bye-laws, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit will retire from office by rotation and by virtue of Bye-law 86(2) of the Bye-laws, Mr. Chan Shu Hung Joseph shall hold office until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 38.

Save as disclosed above, 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests or short positions of the Directors and chief executives 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$0.10 each of the Company

Name of Directors	**Company in which interests are disclosed**	**Capacity**	**Number of issued ordinary shares held**	**Number of shares subject to options granted**	**Percentage of the issued share capital as at 31 March 2012**
Tse Chiu Kwan	The Company	Corporate interest	648,088,000 *(Note 1)*	—	52.38%
		Beneficial interest	9,897,000	—	0.8%
	Fully Gain Company Ltd.	Beneficial interest	1	—	100%
Yip Ying Kam	The Company	Corporate interest	72,000,000 *(Note 2)*	—	5.82%
		Beneficial interest	—	12,000,000 *(Note 3)*	0.97%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long positions in ordinary shares of HK$0.10 each of the Company (continued)

Notes:

1. These shares are held by Fully Gain Company Ltd., an associated corporation of the Company, which is wholly and beneficially owned by Mr. Tse Chiu Kwan.

2. These shares are held by Excellent Gain International Holdings Limited which is wholly and beneficially owned by Ms. Yip Ying Kam.

3. These options were granted by the Company 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 executives 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 holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (with the meaning of Part XV of the SFO).

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Scheme on 23 April 2008. The purpose of the Pre-IPO Scheme is to give the participants (directors and employees of the Group) an opportunity to have a personal stake in the Company and to motivate the participants to optimise their performance and efficiency as well as to attract and retain participants whose contributions are important to the long-term growth and profitability of the Group.

An offer of Pre-IPO share options is deemed to be accepted when the Company receives the offer letter signed by the participant specifying the number of shares of the Company in respect of which the offer is accepted, and a remittance to the Company of HK$1.00 as consideration for the grant of the Pre-IPO share options. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant. The subscription price per share was 85% of the offer price per share at the initial public offering of the Company.

PRE-IPO SHARE OPTION SCHEME (continued)

All holders of options granted under the Pre-IPO Scheme may only exercise their options in the following manners during an option period of 3 years from the date of listing of the Company (the "Listing Date") on the Stock Exchange, i.e. 16 May 2008:

Period of exercise of the relevant percentage of the option	Maximum percentage of options exercisable
A period of twelve months commencing on the Listing Date	30% of the total number of options granted under the Pre-IPO Scheme
A period of twelve months commencing on the first anniversary date of the Listing Date	30% of the total number of options granted under the Pre-IPO Scheme
A period of twelve months commencing on the second anniversary date of the Listing Date	40% of the total number of options granted under the Pre-IPO Scheme

Any options that are not exercised on or before each of the exercise periods mentioned above shall lapse. No further option has been granted or will be granted under the Pre-IPO Scheme after the Listing Date.

Further details of principal terms of the Pre-IPO Scheme are set out in the prospectus of the Company dated 2 May 2008. Details of the share options movements during the Year under the Pre-IPO Scheme are as follows:

		Number of share options						
Name of category	Date of grant of share options	Outstanding at 01.04.2011	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding at 31.03.2012	Validity period of share options	Exercise price (HK$)
Directors								
Tse Chiu Kwan	02.05.2008	2,020,000	—	2,020,000	—	—	16.05.2010–15.05.2011	1.887
Yip Ying Kam	02.05.2008	600,000	—	600,000	—	—	16.05.2010–15.05.2011	1.887
Subtotal		2,620,000	—	2,620,000	—	—		
Other Employees								
In aggregate	02.05.2008	140,000	—	140,000	—	—	16.05.2010–15.05.2011	1.887
Subtotal		140,000	—	140,000	—	—		
Total		**2,760,000**	**—**	**2,760,000**	**—**	**—**		

SHARE OPTION SCHEME

The Company also adopted the Share Option Scheme on 23 April 2008. 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 include 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 Listing Date (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event, the total 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 under the limit as refreshed must not exceed 10% of the shares in issue as at the date of approval of the renewed limit.

The maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes must not in aggregate exceed 30% of the shares of the Company in issue from time to time. As at the date of this report, 12,000,000 share options are outstanding under the Scheme Mandate Limit and the outstanding number of options available for issue under the Scheme Mandate limit of the Share Option Scheme is 114,437,232, representing approximately 9.25% of the issued share capital of the Company. 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.

SHARE OPTION SCHEME (continued)

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 1% limit shall be subject to issuance of a circular by the Company and approved by its Shareholders in accordance with the Share Option Scheme.

Details of the share options movements during the Year under the Share Option Scheme are as follows:

		Number of share options							
Name of category	**Date of grant of share options**	**Outstanding at 01.04.2011**	**Granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**Cancelled during the Period**	**Outstanding at 31.03.2012**	**Validity period of share options**	**Exercise price** (HK$)
Directors									
Tse Chiu Kwan	27.07.2009	2,400,000	—	—	2,400,000	—	—	27.07.2009–26.07.2011	0.830
Yip Ying Kam	27.07.2009	8,900,000	—	—	8,900,000	—	—	27.07.2009–26.07.2011	0.830
	24.02.2012	—	12,000,000	—	—	—	12,000,000	24.02.2012–23.02.2018 *(Note 1)*	0.222
Lin Shao Hua (resigned on 31 October 2011)	27.07.2009	9,600,000	—	—	9,600,000	—	—	27.07.2009–26.07.2011	0.830
Lau Fai Lawrence	27.07.2009	200,000	—	—	200,000	—	—	27.07.2009–26.07.2011	0.830
Fan William Chung Yue (resigned on 8 May 2012)	27.07.2009	200,000	—	—	200,000	—	—	27.07.2009–26.07.2011	0.830
Subtotal		21,300,000	12,000,000	—	21,300,000	—	12,000,000		
Advisors and Consultants									
In aggregate	27.07.2009	34,200,000	—	—	34,200,000	—	—	27.07.2009–26.07.2011	0.830
	20.10.2009	9,950,000	—	—	9,950,000	—	—	20.10.2009–19.10.2011 *(Note 2)*	0.680
Subtotal		44,150,000	—	—	44,150,000	—	—		
Other Employees									
In aggregate	27.07.2009	9,300,000	—	—	9,300,000	—	—	27.07.2009–26.07.2011 *(Note 3)*	0.830
Subtotal		9,300,000	—	—	9,300,000	—	—		
Total		**74,750,000**	**12,000,000**	**—**	**74,750,000**	**—**	**12,000,000**		

Note 1: A maximum of 50% of the total number of share options granted to the grantee may be exercisable between 24 February 2012 and 23 February 2015. The remaining 50% of the total number of share options granted to the grantee may be exercisable between 24 February 2015 and 23 February 2018.

Note 2: A maximum of 50% of the total number of share options granted to the grantees may be exercisable between 20 October 2009 and 19 January 2010. The remaining number of share options granted to the grantees may be exercisable between 20 January 2010 and 19 October 2011.

SHARE OPTION SCHEME (continued)

Note 3: A maximum of 50% of the total number of share options granted to these grantees on 27 July 2009 may be exercisable between 27 July 2009 and 26 July 2010. The remaining 50% of the total number of share options granted to these grantees may be exercisable between 27 July 2010 and 26 July 2011.

In respect of employees of the Company who had not joined the Company for a full year on 27 July 2009, the validity periods of the share options granted to them on 27 July 2009 will commence on the date they have been employed by the Company for one full year (the "Starting Date"). A maximum of 50% of the total number of share options granted to these grantees may be exercisable during the 12 months commencing on the Starting Date. The remaining 50% of the total number of share options granted to these grantees may be exercisable during the 12 months commencing on the first anniversary of the Starting Date.

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

As at 31 March 2012, 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$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares/ underlying shares held	Percentage of the issued share capital as at 31 March 2012
Fully Gain Company Ltd. *(Note 1)*	Beneficial interest	648,088,000	52.38%
Excellent Gain International Holdings Limited *(Note 2)*	Beneficial interest	72,000,000	5.82%

Notes:

1. Fully Gain Company Ltd. is wholly and beneficially owned by Mr. Tse Chiu Kwan.
2. Excellent Gain International Holdings Limited is wholly and beneficially owned by Ms. Yip Ying Kam.

Save as disclosed above, as at 31 March 2012, no person, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' 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 had maintained the public float as required under the Listing Rules.

CONNECTED TRANSACTIONS

On 28 March 2011, 深圳雅天妮飾品有限公司(Shenzhen Artini Fashion Accessories Co., Ltd.*) (now known as 深圳雅天妮弘力實業有限公司), an indirect wholly-owned subsidiary of the Company (the "Purchaser"), entered into (i) the first agreement with Mr. Tse Chiu Kwan (as vendor) in relation to acquisition of the first property (the "First Property") at a consideration of RMB1,792,700 (approximately HK$2,176,000); (ii) the second agreement with Mr. Tse Chiu Kwan (as vendor) in relation to acquisition of the second property (the "Second Property") at a consideration of RMB3,087,540 (approximately HK$3,749,000); and (iii) the third agreement with Mr. Tse Chiu Kwan (as vendor) in relation to acquisition of the third property (the "Third Property") at a consideration of RMB1,730,590 (approximately HK$2,101,000) (collectively, the "Acquisitions").

The Acquisitions serve for investment purpose of the Group and the generation of rental income for the Group in future.

On 7 June 2011, the Company and Mr. Tse Chiu Kwan entered into (i) a supplemental agreement to extend the date of completion of transfer of the property certificate of the First Property under the name of the Purchaser from 7 June 2011 to 31 October 2011; (ii) a supplemental agreement to extend the date of completion of transfer of the property certificate of the Second Property under the name of the Purchaser from 7 June 2011 to 31 October 2011; and (iii) a supplemental agreement to extend the date of completion of transfer of the property certificate of the Third Property under the name of the Purchaser from 7 June 2011 to 31 October 2011.

Mr. Tse Chiu Kwan is the Chairman of the Company, an executive Director and a controlling shareholder (as defined under the Listing Rules). Accordingly, the Acquisitions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since each of the aggregated applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisitions is less than 5%, the Acquisitions are only subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The relevant connected transactions had been completed on 29 September 2011.

Details of the transactions and the delay of the transactions are published in the Company's announcements dated 28 March 2011 and 7 June 2011 respectively.

* *For identification purpose only*

DIRECTORS' INTERESTS IN CONTRACTS

No other contracts of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Year or at any time during the Year under review.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at the end of reporting period are set out in notes 24 to 25 to the financial statements.

FIVE-YEAR SUMMARY

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

RETIREMENT SCHEMES

Particulars of employee retirement schemes of the Group are set out in note 26 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

AUDITOR

The consolidated financial statements for the year ended 31 March 2010 was audited by KPMG while Mazars CPA Limited audited the consolidated financial statements for the years ended 31 March 2011 and 2012.

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

By order of the Board
Tse Chiu Kwan
Chairman

Hong Kong, 29 June 2012

Corporate Governance Report

OVERVIEW

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 Board strived to uphold good corporate governance and adopt sound corporate governance practices. This report outlines the principles and the code provisions of the Code on Corporate Governance Practices (amended to "Corporate Governance Code and Corporate Governance Report" on 1 April 2012) (the "CG Code") contained in Appendix 14 of the Listing Rules, which have been adopted by the Company.

During the Year, save for the deviation as disclosed under the paragraph headed "Independent Non-Executive Directors" and "Chairman and Chief Executive" in this report, all code provisions set out in the CG Code were fulfilled by the Company.

The Board had reviewed the Company's corporate governance measures on 26 March 2012 to bring it in closer alignment with amendments to the CG Code as set out in Appendix 14 of the Listing Rules that has taken effect from 1 April 2012.

COMPLIANCE WITH THE 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.

BOARD OF DIRECTORS

Composition

As at 31 March 2012, the Board comprises two executive Directors and three independent non-executive Directors. The composition of the Board during the Year and up to the date of this report are as follows:

Executive Directors
Mr. Tse Chiu Kwan (Chairman and appointed as chief executive on 28 November 2011)
Ms. Yip Ying Kam (Vice Chairman and appointed as chief operational officer on 11 May 2012)
Independent Non-executive Directors
Mr. Lau Fai Lawrence
Mr. Fan William Chung Yue (resigned on 8 May 2012)
Mr. Lau Yiu Kit
Mr. Chan Shu Hung Joseph (appointed on 29 June 2012)

The biographical details of all current Directors are set out in pages 24 to 25 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.

BOARD OF DIRECTORS (continued)

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 for executive Directors regularly throughout the Year and at least four meetings a year for both executive and non-executive Directors. 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 and make recommendations to the Board;

(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 Code and disclosure in this report.

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

Throughout the Year, 30 Board meetings were held. Details of the attendance of Directors are as follows:

Name of the Directors	Number of Board meetings attended/Held
Executive Directors	
Mr. Tse Chiu Kwan	21/30
Mr. Lin Shao Hua (resigned on 31 October 2011)	5/30
Mr. Lau Yau Chuen, Louis (resigned on 18 July 2011)	5/30
Ms. Yip Ying Kam	21/30
Independent Non-executive Directors	
Mr. Lau Fai Lawrence	28/30
Mr. Fan William Chung Yue (resigned on 8 May 2012)	21/30
Mr. Lau Yiu Kit	25/30

Directors' Appointment, Re-election and Removal

Mr. Tse Chiu Kwan has entered into a service contract with the Company for an initial term of 3 years commencing on 16 May 2008 and has been renewed for a further term of 3 years commencing on 16 May 2011. The service contract has currently been renewed for a further term of 3 years commencing from 29 June 2012, which is subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than 3 months' prior written notice.

Ms. Yip Ying Kam was re-designated as a non-executive Director on 17 July 2009 and was re-designated as an executive Director on 23 February 2012. She has entered into a new service contract with the Company for an initial term of 3 years commencing from 17 July 2009. The service contract has currently been renewed for a further term of 3 years commencing from 29 June 2012, 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 3 months' prior written notice.

Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Chan Shu Hung Joseph, 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 2012, 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.

Mr. Fan William Chung Yue ("Mr. Fan"), an independent non-executive Director, has entered into a formal appointment letter with the Company for a term of one year commencing from 1 September 2011, 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. Mr. Fan has tendered his resignation on 9 November 2011 as independent non-executive director of the Company. By serving three months' notice to the Company, the resignation of Mr. Fan will become effective from 9 February 2012. He postponed his resignation on 9 February 2012 for 3 months until 8 May 2012 to facilitate the additional time for the purpose of recruiting a suitable replacement. Mr. Fan also ceased to be the members of audit committee and nomination committee, and the chairman of remuneration committee of the Company with effect from 8 May 2012.

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

BOARD OF DIRECTORS (continued)

Disclosure of Information on Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Directors are as follow:

The service agreements of Mr. Tse Chiu Kwan and Ms. Yip King Kam, the executive Directors, were renewed for a further term of 3 years commencing from 29 June 2012. The remuneration of Mr. Tse Chiu Kwan and Ms. Yip King Kam had also been adjusted. Mr. Tse is entitled to a monthly salary of approximately HK$900,000 (on a 13-month basis which equals to approximately HK$11,700,000 in aggregate per year) with housing allowance remaining unchanged. Ms. Yip is entitled to a monthly salary of approximately HK$168,000 (on a 13-month basis which equals to approximately HK$2,184,000 in aggregate per year), both of which were determined by reference to the prevailing market rate and their time, effort and expertise devoted to the Company's affairs.

The letter of appointment of Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the independent non-executive Directors, were renewed for a term of 3 years commencing from 29 June 2012. The Directors' fees of Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit were also adjusted on 29 June 2012. Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit are entitled to a fee of HK$540,000 per annum, both of which were determined by reference to the prevailing market rate and time, effort and expertise of the independent non-executive Directors of the Company devoted to the Company's affairs.

Independent Non-executive Directors

Following the resignation of Mr. Fan William Chung Yue on 8 May 2012, the Company only has two independent non-executive Directors and two Audit Committee members, the number of which falls below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. On 29 June 2012, Mr. Chan Shu Hung Joseph has been appointed to fill the vacancy of Mr. Fan William Chung Yue as an independent non-executive Director, a chairman of remuneration committee, and a member of audit committee and nomination committee as well. Following the appointment of Mr. Chan Shu Hung Joseph, the Company has fully complied with the requirement of Rule 3.10(1) and Rule 3.21 of the Listing Rules.

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. The Company, based on such confirmation, considers all independent non-executive directors during the Year are independent.

Chairman and Chief Executive

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

BOARD OF DIRECTORS (continued)

Chairman and Chief Executive (continued)

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

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.

During the Year, the Company has arrange training sessions to Mr. Tse Chiu Kwan, Ms. Yip Ying Kam, Mr. Lau Fai Lawrence, Mr. Fan William Chung Yue and Mr. Lau Yiu Kit conducted by external professional institution to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the board remains informed and relevant.

BOARD COMMITTEES

Audit Committee

Composition

The audit committee of the Company (the "Audit Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. During the Year, the Audit Committee comprised three members, all are independent non-executive Directors, namely Mr. Lau Fai Lawerence (Chairman), Mr. Fan William Chung Yue (resigned on 8 May 2012) and Mr. Lau Yiu Kit. The Audit Committee comprised two members during the period from 8 May 2012 to 29 June 2012, all are independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman) and Mr. Lau Yiu Kit, which falls below the minimum number required under Rule 3.21 of the Listing Rules.

The Audit Committee has held meetings with the Company's auditor, Mazars CPA Limited, to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the Year and the interim financial report for the six months ended 30 September 2011, including the accounting principles and practice adopted by the Group.

During the Year, the Audit Committee had performed their primary duties to review and supervise the financial reporting process and the internal control procedures of the Company and had also held meetings with the Company's auditor, Mazars CPA Limited, to discuss the auditing, internal controls and financial reporting matters of the Company.

Throughout the Year, 6 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)	6/6
Mr. Fan William Chung Yue (resigned on 8 May 2012)	5/6
Mr. Lau Yiu Kit	6/6

On 29 June 2012, Mr. Chan Shu Hung Joseph was newly appointed as a member of the Audit Committee to fill the vacancy of Mr. Fan William Chung Yue, and the Company complied with the requirement of Rule 3.21 of the Listing Rules.

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 2012, the Remuneration Committee comprises four members, namely Mr. Fan William Chung Yue (Chairman) (resigned on 8 May 2012), Mr. Tse Chiu Kwan, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the majority of which are independent non-executive Directors.

The primary functions of the Remuneration Committee are to make recommendations to the Board on remuneration of Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

Composition (continued)

Throughout the Year, details of the members' attendance of the Remuneration Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Fan William Chung Yue (Chairman) (resigned on 8 May 2012)	4/5
Mr. Tse Chiu Kwan	3/5
Mr. Lau Fai Lawrence	5/5
Mr. Lau Yiu Kit	4/5

During the Year, 5 Remuneration Committee meetings were held to review the remuneration packages of all Directors and senior management and to determine the remuneration of the newly appointed Directors.

On 29 June 2012, Mr. Chan Shu Hung Joseph was newly appointed as the Chairman of the Remuneration Committee to fill the vacancy of Mr. Fan William Chung Yue.

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 Pre-IPO Share Option Scheme and the Share Option Scheme both on 23 April 2008. The purpose of these share option schemes 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 2012, the Nomination Committee comprises four members, namely Mr. Lau Fai Lawrence (Chairman), Mr. Tse Chiu Kwan, Mr. Fan William Chung Yue (resigned on 8 May 2012) and Mr. Lau Yiu Kit, the majority of which are independent non-executive Directors.

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.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

Composition (continued)

Throughout the Year, details of the members' attendance of the Nomination Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	4/4
Mr. Tse Chiu Kwan	3/4
Mr. Fan William Chung Yue (resigned on 8 May 2012)	3/4
Mr. Lau Yiu Kit	3/4

During the Year under review, the Nomination Committee held 4 meetings to review the composition, size and structure of the Board and to determine the appointment of the Directors and senior management of the Company.

On 29 June 2012, Mr. Chan Shu Hung Joseph was newly appointed as a member of the Nomination Committee to fill the vacancy of Mr. Fan William Chung Yue.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledges its 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, 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 are set out in the Independent Auditor's Report.

Auditor's Remuneration

During the Year, the remuneration paid or payable to the Company's auditor, Mazars CPA Limited, in respect of its audit and non-audit services were as follows:

Type of Services	HK$'000
Audit services	2,230
Non-audit services	85
Total	2,315

INTERNAL CONTROL

The Company has prepared an internal control report, covering all material controls, including financial and operation for the Year. 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 is currently headed by Internal Control Manager since December 2011, and they report directly to the Board. The primary responsibilities of the internal control department include reviewing of internal control system and monitoring the compliance of the daily operating activities within the Group. In addition, it will carry out assessment in relation to the establishment of new company or entity and new products of the Group.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") published a press release on 23 August 2011, in relation to, among other things, the censure of the Company for its breaches of Rules 13.09(1), 13.10 and 2.13(2) of the Listing Rules. The Listing Committee of the Stock Exchange ("Listing Committee") directed, among other things, that the Company retain an independent professional adviser satisfactory to the Listing Division to conduct a thorough review ("Internal Control Review") of and make recommendations to improve the Company's internal controls to ensure compliance with Rules 2.13, 13.09(1) and 13.10; and appoint an independent professional adviser (the "Adviser") satisfactory to the Listing Division on an ongoing basis for consultation on Listing Rule compliance for a period for two years.

In accordance with the direction of the Listing Committee, the Company has appointed Zhonglei Risk Advisory Services Limited ("Zhonglei") to be the Adviser. Zhonglei has conducted the Internal Control Review and issued a written report to the Company containing recommendations to improve the Company's internal controls for the Company's submission to the Listing Division on 7 November 2011 (the "First Report") and another written report to the Company on the Company's full implementation of the recommendations for the Company's submission to the Listing Division on 27 January 2012 (the "Second Report").

Furthermore, in accordance with the direction of the Listing Committee, the Company has appointed Guangdong Securities Limited to be the Compliance Adviser for a term of two years from 5 September 2011 to 5 September 2013.

Zhonglei concluded that the Company has fully implemented their recommendations as stated in the First Report, except for the recommendation on preventive control regarding establishment of tailored induction information of the Company for newly appointed directors, and written comprehensive training policy. Zhonglei stated in the Supplementary Report that the Company has nevertheless adopted other measures to remedy this identified deficiency as stated in the First Report, although not to Zhonglei's satisfaction. Zhonglei noted that the Company has therefore agreed to adopt and implement all of Zhonglei's further recommendations as stated in the Supplementary Report. Subject to completion of the Company's implementation of all the further recommendations, Zhonglei is satisfied that the Company has addressed all the internal control deficiencies it identified in the First Report. The Company confirms that it has completed the implementation of the further recommendations as of 4 May 2012.

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.

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 of the Company (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.

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

The Company Secretary, Mr. Lo Wah Wai ("Mr. Lo"), is external service provider and the primary corporate contact person in the Company is Ms. Rachal Cham, the Company Secretarial Assistant of the Company. The biography of Mr. Lo has been set out in the "Biographical Details of Directors and Senior Management" section.

Independent Auditor's Report

MAZARS CPA LIMITED
瑪澤 會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

To the shareholders of
Artini China Co. Ltd.
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Artini China Co. Ltd. (the "Company") and its subsidiaries (together "the Group") set out on pages 48 to 120, which comprise the consolidated and the Company's statements of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 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, 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 state of the affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong, 29 June 2012

Chan Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Turnover	*6,7*	**323,311**	362,921
Cost of sales		**(249,622)**	(217,865)
Gross profit		**73,689**	145,056
Other revenue	*8*	**2,985**	2,482
Other net gain (loss)	*8*	**7,555**	(16,521)
Selling and distribution costs		**(148,138)**	(195,641)
Administrative expenses		**(62,184)**	(60,521)
Other operating expenses		**(20,635)**	(44,961)
Loss from operations		**(146,728)**	(170,106)
Finance costs	*9(a)*	**(1,702)**	(3,630)
Share of loss of an associate		**—**	(210)
Loss before taxation	*9*	**(148,430)**	(173,946)
Income tax credit (expense)	*10(a)*	**4,139**	(2,771)
Loss for the year		**(144,291)**	(176,717)
Attributable to:			
Owners of the Company		**(143,342)**	(176,555)
Non-controlling interests		**(949)**	(162)
Loss for the year		**(144,291)**	(176,717)
Loss per share (HK$)	*14*		
Basic		**(0.116)**	(0.143)
Diluted		**(0.116)**	(0.143)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

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

Consolidated Statement of Financial Position

As at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets	*15*		
— Investment properties		**8,306**	—
— Property, plant and equipment		**68,824**	82,393
— Interests in leasehold land held for own use under operating leases		**9,208**	9,541
Intangible assets	*16*	**3,180**	14,794
Goodwill	*17*	**—**	7,123
Rental deposits		**3,093**	7,972
Deferred tax assets	*28*	**11,841**	11,526
		104,452	133,349
Current assets			
Trading securities	*19*	**4,891**	24,400
Inventories	*20*	**65,327**	82,928
Trade and other receivables	*21*	**69,070**	110,163
Current tax recoverable		**955**	947
Cash and cash equivalents	*22*	**96,163**	131,117
		236,406	349,555
Current liabilities			
Trade and other payables	*23*	**57,402**	55,568
Bank loans	*24(a)*	**20,101**	23,680
Obligations under finance leases	*25*	**1,067**	1,340
Current tax payable		**1,428**	2,273
		79,998	82,861
Net current assets		**156,408**	266,694
Total assets less current liabilities		**260,860**	400,043
Non-current liabilities			
Obligations under finance leases	*25*	**81**	1,148
Deferred tax liabilities	*28*	**607**	4,882
		688	6,030
NET ASSETS		**260,172**	394,013

	Note	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	*29*	**123,732**	123,732
Reserves	*30*	**135,948**	268,840
Total capital and reserves attributable to owners of the Company		**259,680**	392,572
Non-controlling interests		**492**	1,441
TOTAL EQUITY		**260,172**	394,013

Approved and authorised for issue by the Board of Directors on 29 June 2012.

Tse Chiu Kwan
Director

Yip Ying Kam
Director

Statement of Financial Position

As at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries	*18*	**262,208**	373,318
Current assets			
Trading securities	*19*	**3,568**	23,107
Deposits, prepayments and other receivables	*21*	**5,260**	15,676
Cash and cash equivalents	*22*	**14,064**	1,653
		22,892	40,436
Current liabilities			
Accrued charges and other payables	*23*	**24,979**	20,129
		24,979	20,129
Net (current liabilities) current assets		**(2,087)**	20,307
NET ASSETS		**260,121**	393,625
CAPITAL AND RESERVES			
Share capital	*29*	**123,732**	123,732
Reserves	*30*	**136,389**	269,893
TOTAL EQUITY		**260,121**	393,625

Approved and authorised for issue by the Board of Directors on 29 June 2012.

Tse Chiu Kwan
Director

Yip Ying Kam
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Other reserve** HK$'000	**Translation reserve** HK$'000	**PRC statutory reserves** HK$'000	**Share-based capital reserve** HK$'000	**Legal reserve** HK$'000	**Accumulated losses** HK$'000	**Total capital and reserves** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2010	111,654	478,227	(19,615)	17,264	21,755	15,172	97	(161,362)	463,192	—	463,192
Loss for the year	—	—	—	—	—	—	—	(176,555)	(176,555)	(162)	(176,717)
Other comprehensive income											
Exchange differences on consolidation	—	—	—	10,428	—	—	—	—	10,428	—	10,428
Total comprehensive loss for the year	—	—	—	10,428	—	—	—	(176,555)	(166,127)	(162)	(166,289)
Transactions with owners of the Company											
Issue of shares under share placement	8,354	35,924	—	—	—	—	—	—	44,278	—	44,278
Share issuance costs	—	(1,550)	—	—	—	—	—	—	(1,550)	—	(1,550)
Issue of shares upon conversion of convertible bonds	1,944	15,941	—	—	—	—	—	—	17,885	—	17,885
Equity-settled share-based transactions	—	—	—	—	—	12,842	—	4,758	17,600	—	17,600
Shares issued under share option schemes	4,485	32,681	—	—	—	(5,918)	—	—	31,248	—	31,248
Repurchase of shares	(2,705)	(11,249)	—	—	—	—	—	—	(13,954)	—	(13,954)
Step acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	1,603	1,603
Total transactions with owners of the Company	12,078	71,747	—	—	—	6,924	—	4,758	95,507	1,603	97,110
At 31 March 2011	123,732	549,974	(19,615)	27,692	21,755	22,096	97	(333,159)	392,572	1,441	394,013
At 1 April 2011	**123,732**	**549,974**	**(19,615)**	**27,692**	**21,755**	**22,096**	**97**	**(333,159)**	**392,572**	**1,441**	**394,013**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(143,342)**	**(143,342)**	**(949)**	**(144,291)**
Other comprehensive income											
Exchange differences on consolidation	**—**	**—**	**—**	**8,116**	**—**	**—**	**—**	**—**	**8,116**	**—**	**8,116**
Total comprehensive loss for the year	**—**	**—**	**—**	**8,116**	**—**	**—**	**—**	**(143,342)**	**(135,226)**	**(949)**	**(136,175)**
Transactions with owners of the Company											
Equity-settled share-based transactions	**—**	**—**	**—**	**—**	**—**	**(21,486)**	**—**	**23,820**	**2,334**	**—**	**2,334**
Total transactions with owners of the Company	**—**	**—**	**—**	**—**	**—**	**(21,486)**	**—**	**23,820**	**2,334**	**—**	**2,334**
At 31 March 2012	**123,732**	**549,974**	**(19,615)**	**35,808**	**21,755**	**610**	**97**	**(452,681)**	**259,680**	**492**	**260,172**

Consolidated Statement of Cash Flows

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	31	**(23,870)**	(106,160)
Tax paid			
— Hong Kong Profits Tax paid		**(635)**	—
— the People's Republic of China ("PRC") enterprise income tax paid		**(464)**	(2,237)
Net cash used in operating activities		**(24,969)**	(108,397)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		**(11,354)**	(18,987)
Payment for the purchase of investment properties		**(8,479)**	—
Proceeds from disposal of property, plant and equipment		**267**	201
Proceeds from disposal of investment properties		**—**	5,000
Interest received		**523**	1,010
Dividend received		**47**	352
Payment for investment in a subsidiary, net of cash acquired		**—**	(4,787)
Payment for purchase of trading securities		**(148,619)**	(856,302)
Proceeds from sale of trading securities		**163,037**	844,202
Payment for purchase of intangible assets		**(201)**	(1,468)
Net cash used in investing activities		**(4,779)**	(30,779)
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(1,340)**	(1,076)
Repayment of bank loans		**(4,413)**	—
Proceeds from issue of new shares		**—**	76,923
Proceeds from bank borrowings		**—**	23,680
Interest element of finance lease rentals paid		**(160)**	(225)
Other finance costs paid		**(1,542)**	(1,695)
Payment for redemption of convertible bonds		**—**	(26,880)
Payment for repurchase of shares		**—**	(13,954)
Proceeds from issue of convertible bonds		**—**	20,000
Payment of transaction costs on issue of convertible bonds		**—**	(1,156)
Net cash (used in) generated from financing activities		**(7,455)**	75,617
Net decrease in cash and cash equivalents		**(37,203)**	(63,559)
Cash and cash equivalents at 1 April		**131,117**	191,431
Effect of foreign exchange rate changes		**2,249**	3,245
Cash and cash equivalents at 31 March	22	**96,163**	131,117

Notes to the Financial Statements

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

1. COMPANY BACKGROUND

Artini China Co. Ltd. (the "Company") was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 May 2008.

2. BASIS OF PRESENTATION

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, is measured initially either at fair value or at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

(i) Allocation of total comprehensive income

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

(ii) Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

Trading securities

Financial assets are classified as trading securities if they are i) acquired principally for the purpose of selling in the near future; ii) a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or iii) derivatives that are not financial guarantee contracts or not designated and effective as a hedging instruments.

Trading securities are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the profit or loss.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than trading securities, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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

The Group's financial liabilities include trade and other payables, bank loans and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. As the Group's lease payments for its investment properties cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the investment properties as a finance lease. Rental income from investment properties is accounted for as described in note 3(r). Investment properties are depreciated over the shorter of the unexpired term of lease and their estimated useful lives. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss.

(f) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the costs of the item is allocated on a reasonable basis and depreciated separately.

— Buildings, situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold improvements	Remaining term of the lease
— Office equipment	5 to 10 years
— Furniture and fixtures	5 years
— Motor vehicles	5 years
— Plant and machinery	5 to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Goodwill

Goodwill arising on an acquisition of a subsidiary is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over 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, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred. The cost of acquiring assets under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether its fixed assets and intangible assets with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell 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.

In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(n) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund. Details of employee retirement benefits are disclosed in note 26 to the financial statements.

(iii) Share-based payments

The fair value of share options granted to directors and employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the appropriate valuation techniques, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

(iii) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). Where an option is cancelled, due to unfulfilment of the vesting condition or forfeiture after the vesting date, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

(o) Equity-settled share-based payment transactions to non-employees

Share options granted to consultants and advisors in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, and in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding adjustment to the capital reserve, when the counterparties render services, unless the services qualify for recognition as assets. Where the consultants and advisors have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(p) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Taxation (continued)

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a present legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Provision for onerous contracts

The lease contracts used by the Group are mostly lease contracts for stores. The Group recognises a provision for onerous contract when the expected benefits to be received from the contract are less than the unavoidable costs of meeting the obligations under the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Licence fee

Licence fee from letting licensee selling goods using the brand of Artini is recognised in profit or loss in equal instalments over the periods as stipulated in the sales agency agreement.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payment receivable.

(s) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Translation of foreign currencies (continued)

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement are translated at the weighted average exchange rates for the year;

(iii) all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, which included the disposal of the Group's entire interest in a foreign operation and the loss of control of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the respective borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(u) Store pre-operating costs

Operating costs (including store set-up, recruitment and training expenses) incurred prior to the operating of new stores are expensed as incurred and are included in selling and distribution costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's most senior executive management, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

(x) Future changes in HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised standards and amendments to HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
Amendments to HKFRS 7	*Financial Instruments: Disclosures — Transfer of Financial Assets*[1]
Amendments to HKFRS 7	*Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
Amendments to HKAS 12	*Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[5]
Amendments to HKAS 1 (Revised)	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKFRS 10	*Consolidated financial statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosures of Interests with Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards — Exception to retrospective application of HKFRS 9 and HKAS 20*[4]
Improvements to HKFRSs 2009–2011	*Various HKFRSs*[4]
HK(IFRIC) — Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
HKFRS 9	*Financial Instruments*[6]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The directors are in the process of assessing the possible impact of the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one revised HKFRS, a number of amendments to HKFRSs and Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

HKAS 24 (Revised) — *Related Party Disclosures*

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

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

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

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

Improvements to HKFRSs 2010 — *Improvements to HKFRSs 2010*

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

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

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

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

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

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Impairment of fixed assets and intangible assets

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

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Details of the impairment loss calculation are set out in note 17.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of trade and other receivables

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

(d) Write down of inventories

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

(e) Deferred tax assets

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

6. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by different business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Retailing and distribution	:	the manufacture and sale of own brand fashion accessories.
Concurrent Design Manufacturing ("CDM") sales	:	manufacturing depending on the customer's chosen level of participation in the design process, concurrently works with its customer in designing the products and produces the same according to the customer's desired final design.

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

(a) Segment results

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

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

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

6. SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

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

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

	2011					
	Retailing and distribution					
	Mainland China HK$'000	Hong Kong and Macao HK$'000	Sub-total HK$'000	CDM sales HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	93,394	28,437	121,831	241,090	—	362,921
Inter-segment revenue	—	—	—	30,955	(30,955)	—
Reportable segment revenue	93,394	28,437	121,831	272,045	(30,955)	362,921
Reportable segment (loss) profit	(85,689)	(34,031)	(119,720)	48,765		(70,955)
Unallocated income and expenses						(105,762)
Loss for the year						(176,717)

6. SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of reportable segment loss

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

(c) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

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

6. SEGMENT REPORTING (CONTINUED)

(c) Geographical information (continued)

The following table sets out information about the geographical location of the Group's non-current assets other than deferred tax assets. The geographical location of the non-current assets is based on the physical location of the asset, in case of fixed assets and the location of the operation to which they are allocated, in case of intangible assets, goodwill and rental deposits.

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

7. TURNOVER

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

Turnover represents revenue arising from the sales value of goods supplied to customers after excluding sales tax, value-added tax, discounts and returns.

Turnover is represented by sales generated by each of the following categories:

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

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

8. OTHER REVENUE AND NET GAIN (LOSS)

	2012 HK$'000	2011 HK$'000
Other revenue		
Interest income	**523**	1,010
Licence fee	**731**	341
Gross rental income from investment properties	**247**	75
Dividend income from trading securities	**47**	352
Others	**1,437**	704
	2,985	2,482
Other net gain (loss)		
Net exchange loss	**(428)**	(497)
Net realised and unrealised losses on trading securities	**(5,091)**	(8,826)
Net gain on change in fair value of derivative financial instruments	**—**	757
Realised loss on redemption of convertible bonds	**—**	(3,759)
Compensation for minimum purchase commitment	**—**	(7,300)
Fair value gain on step acquisition of a subsidiary	**—**	1,663
Net gain on disposal of investment properties	**—**	1,543
Net gain (loss) on disposal of property, plant and equipment	**61**	(102)
Reversal of allowance for impairment loss on loan receivable *(note 21(d))*	**3,600**	—
Compensation for losses on a fire accident *	**9,413**	—
	7,555	(16,521)

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

9. LOSS BEFORE TAXATION

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

		2012 HK$'000	2011 HK$'000
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	**1,542**	1,695
	Imputed interest on convertible bonds	**—**	1,710
	Finance charges on obligations under finance leases	**160**	225
		1,702	3,630
(b)	**Staff costs (included directors' remuneration):**		
	Salaries, wages and other benefits	**96,271**	105,403
	Equity-settled share-based payment expenses	**1,776**	10,181
	Contributions to defined contribution retirement plans	**17,145**	11,120
		115,192	126,704
(c)	**Other items:**		
	Depreciation		
	— Assets held under finance leases	**746**	816
	— Other assets	**26,964**	20,622
	Amortisation (included in selling and distribution costs)		
	— Intangible assets	**5,225**	3,699
	Allowance for doubtful debts on trade and other receivables (included in other operating expenses)		
	— Trade receivable *(note 21(b))*	**3,150**	9,408
	— Deposit paid for acquisition of business *(note 21(c))*	**10,132**	—
	— Others	**1,128**	3,600
	Reversal of allowance for doubtful debts on deposit paid for acquisition of business *(note 21(c))*	**(10,132)**	—
	Impairment loss (included in other operating expenses)		
	— Trade and other receivables	**5,103**	7,701
	— Intangible assets	**6,616**	—
	— Goodwill	**7,123**	—
	Equity-settled share-based payment expenses		
	— Directors and employees (included in staff cost)	**1,776**	10,181
	— Advisors and consultants	**558**	7,419
	(Reversal of provision) provision for onerous contracts	**(1,988)**	867
	Auditors' remuneration		
	— Current year	**2,230**	2,056
	— Under-provision in prior year	**439**	470
	Operating lease charges in respect of properties		
	— Minimum lease payments	**36,946**	49,118
	— Contingent rent	**10,279**	12,670
	— Directors' quarters	**2,436**	1,693
	Loss of property, plant and equipment and inventories on fire accident	**—**	18,541
	Operating lease charges in respect of billboards	**640**	2,381
	Rental receivable from investment properties less direct outgoing of HK$Nil (2011: HK$Nil)	**(247)**	(75)
	Cost of inventories#	**249,622**	217,865

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

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

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

Notes:

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group or Company is not subject to income tax in Bermuda and the BVI.

(ii) Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the Group's estimated assessable profits arising from Hong Kong during the year.

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

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

(v) Pursuant to the Enterprise Income Tax Law of the PRC (the "New Tax Law"), effective from 1 January 2008, the statutory income tax rate applicable to the Company's subsidiaries in Shenzhen has changed from 15% to 25% progressively under a 5-year transition period from calendar years 2008 to 2012 (2008: 18%; 2009: 20%; 2010: 22%; 2011: 24%; 2012: 25%). For the subsidiary located in Hai Feng, the statutory income tax rate has changed from 24% to 25% from 1 January 2008.

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (continued)

Notes: (continued)

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

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2012 **HK$'000**	2011 HK$'000
Loss before taxation	**(148,430)**	(173,946)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	**(32,754)**	(44,359)
Tax effect of non-deductible expenses	**6,356**	18,786
Tax effect of non-taxable income	**(4,634)**	(5,285)
Unrecognised temporary difference	**1,179**	2,259
Reversal of tax losses previously recognised	**5,099**	—
Tax effect of unused tax losses not recognised	**21,395**	29,898
Tax effect of utilisation of tax losses not recognised in prior years	**(1,220)**	(173)
(Over) Under-provision in respect of prior years	**(598)**	7
Reversal of deferred tax liabilities in respect of undistributed earnings of a PRC subsidiary	**—**	(1,268)
Withholding income tax	**—**	1,917
Effect of change in tax rate	**—**	624
Others	**1,038**	365
Income tax (credit) expense	**(4,139)**	2,771

11. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received or receivable by the Company's directors are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity-settled share-based payments HK$'000 *(note)*	2012 Total HK$'000
Executive directors							
Tse Chiu Kwan	—	10,913	—	12	10,925	191	11,116
Yip Ying Kam (re-designated as executive director on 23 February 2012)	—	150	—	1	151	610	761
Lin Shao Hua (resigned on 31 October 2011)	—	655	—	—	655	485	1,140
Lau Yau Chuen, Louis (resigned on 18 July 2011)	—	636	—	4	640	—	640
Non-executive directors							
Yip Ying Kam (re-designated as executive director on 23 February 2012)	—	1,800	—	11	1,811	470	2,281
Independent non-executive directors							
Lau Fai Lawrence	344	—	—	—	344	10	354
Fan William Chung Yue (resigned on 8 May 2012)	279	—	—	—	279	10	289
Lau Yiu Kit	216	—	—	—	216	—	216
	839	14,154	—	28	15,021	1,776	16,797

On 29 June 2012, Mr. Chan Shu Hung, Joseph has been appointed as an independent non-executive director of the Company.

No emoluments have been paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office.

No directors have waived emoluments in respect of the years ended 31 March 2012 and 2011.

11. DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amounts of emoluments received or receivable by the Company's directors are as follows (continued):

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity-settled share-based payments HK$'000 *(note)*	2011 Total HK$'000
Executive directors							
Tse Chiu Kwan	—	10,316	—	12	10,328	1,386	11,714
Lin Shao Hua	—	1,346	—	—	1,346	1,454	2,800
Lau Yau Chuen, Louis (appointed on 26 May 2010)	—	1,110	—	10	1,120	—	1,120
Ho Pui Yin, Jenny (resigned on 26 May 2010)	—	1,596	—	1	1,597	1,528	3,125
Non-executive director							
Yip Ying Kam	—	2,100	—	12	2,112	1,652	3,764
Independent non-executive directors							
Lau Fai Lawrence	248	—	—	—	248	30	278
Fan William Chung Yue	201	—	—	—	201	30	231
Lau Yiu Kit (appointed on 1 December 2010)	72	—	—	—	72	—	72
Chan Man Tuen, Irene (resigned on 1 September 2010)	75	—	—	—	75	15	90
	596	16,468	—	35	17,099	6,095	23,194

Note: These represent the estimated value of share options granted to the directors under the Company's share option schemes. The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(n)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraphs "Pre-IPO Share Option Scheme" and "Share Option Scheme" in the Report of the Directors and note 27.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: four) are directors whose emoluments are disclosed in note 11. The emoluments in respect of the other one (2011: one) individual is as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other emoluments	**554**	811
Share-based payments	**—**	833
Retirement scheme contributions	**12**	12
	566	1,656

The emoluments of the one (2011: one) individual with the highest emoluments are within the following band:

	2012 **Number of** **individuals**	2011 Number of individuals
HK$500,001–HK$1,000,000	**1**	—
HK$1,500,001–HK$2,000,000	**—**	1

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$135,838,000 (2011: HK$166,871,000) which has been dealt with in the financial statements of the Company.

(Expressed in Hong Kong dollars)

14. LOSS PER SHARE

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

Weighted average number of ordinary shares

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

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

15. FIXED ASSETS

	The Group									
	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	Sub-total HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total HK$'000
At cost:										
At 1 April 2010, as originally stated	32,129	21,603	34,398	4,891	10,645	19,592	123,258	8,251	23,656	155,165
Effect of adoption of Amendments to HKAS17	11,126	—	—	—	—	—	11,126	—	(11,126)	—
As restated	43,255	21,603	34,398	4,891	10,645	19,592	134,384	8,251	12,530	155,165
Exchange adjustments	1,307	897	2,224	743	187	(846)	4,512	—	518	5,030
Additions	549	10,335	338	4,609	4,287	1,969	22,087	—	—	22,087
Acquisition of subsidiaries	—	279	59	—	—	—	338	—	—	338
Disposals	(993)	—	(1,393)	(2,528)	(2,015)	(6,570)	(13,499)	(8,251)	—	(21,750)
At 31 March 2011	44,118	33,114	35,626	7,715	13,104	14,145	147,822	—	13,048	160,870
At 1 April 2011	44,118	33,114	35,626	7,715	13,104	14,145	147,822	—	13,048	160,870
Exchange adjustments	1,153	786	1,129	240	170	502	3,980	40	460	4,480
Additions	—	6,545	165	655	—	3,989	11,354	8,479	—	19,833
Disposals	—	(22,156)	(120)	—	(725)	—	(23,001)	—	—	(23,001)
At 31 March 2012	45,271	18,289	36,800	8,610	12,549	18,636	140,155	8,519	13,508	162,182
Accumulation amortisation, depreciation and impairment loss:										
At 1 April 2010, as originally stated	3,942	15,843	13,285	3,480	6,045	5,890	48,485	4,759	3,566	56,810
Effect of adoption of Amendments to HKAS17	1,346	—	—	—	—	—	1,346	—	(1,346)	—
As restated	5,288	15,843	13,285	3,480	6,045	5,890	49,831	4,759	2,220	56,810
Exchange adjustments	(553)	589	1,465	(901)	20	556	1,176	—	640	1,816
Charge for the year	1,982	10,610	3,368	1,063	1,773	1,961	20,757	34	647	21,438
Addition of subsidiaries	—	60	17	—	—	—	77	—	—	77
Written back on disposals	(187)	—	(886)	(796)	(1,712)	(2,831)	(6,412)	(4,793)	—	(11,205)
At 31 March 2011	6,530	27,102	17,249	2,846	6,126	5,576	65,429	—	3,507	68,936
At 1 April 2011	6,530	27,102	17,249	2,846	6,126	5,576	65,429	—	3,507	68,936
Exchange adjustments	128	677	599	74	80	188	1,746	2	130	1,878
Charge for the year	2,002	14,116	5,595	1,249	1,797	2,077	26,836	211	663	27,710
Reallocation	—	(5,303)	5,303	—	—	—	—	—	—	—
Written back on disposals	—	(22,156)	(5)	—	(519)	—	(22,680)	—	—	(22,680)
At 31 March 2012	8,660	14,436	28,741	4,169	7,484	7,841	71,331	213	4,300	75,844
Net carrying amount:										
At 31 March 2012	36,611	3,853	8,059	4,441	5,065	10,795	68,824	8,306	9,208	86,338
At 31 March 2011	37,588	6,012	18,377	4,869	6,978	8,569	82,393	—	9,541	91,934

15. FIXED ASSETS (CONTINUED)

(a) The analysis of net book value of properties is as follows:

	The Group	
	31.3.2012 HK$'000	31.3.2011 HK$'000
Medium term leases		
— in Hong Kong	**7,693**	8,025
— outside Hong Kong	**46,432**	39,104
	54,125	47,129
Representing:		
Buildings	**36,611**	37,588
Investment properties carried at cost	**8,306**	—
Interests in leasehold land held for own use under operating leases	**9,208**	9,541
	54,125	47,129

(b) Property, plant and equipment held under finance leases

The Group acquired motor vehicles under finance leases expiring in two years. At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was HK$2,293,000 (2011: HK$3,527,000). These assets are charged to secure the Group's obligations under finance leases (note 25).

(c) Fixed assets pledged for bank borrowings

As at 31 March 2012, certain of the Group's properties with net book value of HK$26,395,000 (2011: HK$31,000,000) were pledged as security for certain bank borrowings and facilities granted to the Group. For details, please refer to note 24.

(d) Investment properties

The fair value of the investment properties at the end of the reporting period were HK$8,751,000 (2011: Not applicable) which were valued by an independent professional valuers based on direct comparison approach.

16. INTANGIBLE ASSETS

	Licence fees HK$'000	Trademarks HK$'000	Licence right HK$'000	Total HK$'000
Cost:				
At 1 April 2010	6,782	593	—	7,375
Addition	582	886	—	1,468
Addition — business combination	—	—	14,048	14,048
Exchange differences	281	—	—	281
At 31 March 2011	7,645	1,479	14,048	23,172
At 1 April 2011	7,645	1,479	14,048	23,172
Addition	—	201	—	201
Written off	(7,063)	—	—	(7,063)
Exchange differences	26	—	—	26
At 31 March 2012	608	1,680	14,048	16,336
Accumulated amortisation:				
At 1 April 2010	4,440	—	—	4,440
Charge for the year	2,422	—	1,277	3,699
Exchange differences	239	—	—	239
At 31 March 2011	7,101	—	1,277	8,378
At 1 April 2011	7,101	—	1,277	8,378
Charge for the year	117	—	5,108	5,225
Written off	(7,063)	—	—	(7,063)
Impairment loss	453	—	6,163	6,616
At 31 March 2012	608	—	12,548	13,156
Net carrying amount:				
At 31 March 2012	—	1,680	1,500	3,180
At 31 March 2011	544	1,479	12,771	14,794

16. INTANGIBLE ASSETS (CONTINUED)

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

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

This licence right acquired for manufacture, distribution and sale of products with trademark of third parties are amortised on the straight-line basis over the contract period of 3 years. Details of the impairment test of licence right are disclosed in note 17(a).

17. GOODWILL

	2012 **HK$'000**	2011 HK$'000
Reconciliation of carrying amount:		
At the beginning of reporting period	**7,123**	—
Arising on acquisition of a subsidiary — Glamm International Trading (Dalian) Co., Ltd. ("Glamm Dalian")	**—**	4,661
Arising on step acquisition of a subsidiary — Q'ggle Lingerie Company Limited ("Q'ggle Lingerie")	**—**	2,462
Impairment losses	**(7,123)**	—
At the end of reporting period	**—**	7,123

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating unit ("CGU"), attributable to two subsidiaries in retailing and distribution operating segment.

The recoverable amount of a CGU of Glamm Dalian and Q'ggle Lingerie are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Details of the key assumptions used for the value-in-use calculations are as follows:

17. GOODWILL (CONTINUED)

(a) Goodwill and licence right from acquisition of Glamm Dalian

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

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

(b) Goodwill from acquisition of Q'ggle Lingerie

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

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

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**153,424**	153,424
Fair value of share options granted to employees of subsidiaries	**10,461**	9,472
Less: Impairment loss	**(9,950)**	(8,187)
	153,935	154,709
Amounts due from subsidiaries	**573,597**	565,422
Less: Impairment loss	**(465,324)**	(346,813)
	108,273	218,609
	262,208	373,318

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.

Impairment loss

During the year, a number of the Company's subsidiaries sustained losses and had net liabilities as at 31 March 2012. The Company assessed the recoverable amounts of the subsidiaries and as a result an impairment loss on the interests in subsidiaries of HK$475,274,000 (2011: HK$355,000,000) was recorded as at 31 March 2012 to write down the carrying amounts to estimated recoverable amounts. The estimated recoverable amounts were determined based on the estimated future cash flows generated from these subsidiaries.

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

The following list contains the particular of principal subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Alfreda International Company Limited	Macao 22 March 2007	Macao	—	100	MOP 50,000	Retailing of fashion accessories
Artini International Company Limited	Hong Kong 16 July 2003	Hong Kong	—	100	300,000 shares of HK$1 each	Retailing of fashion accessories
Artini Sales Company Limited	Hong Kong 9 June 1992	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire Gifts & Premium Mfy. Limited	Hong Kong 11 February 2004	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire International Group Company Limited	Hong Kong 10 September 1996	Hong Kong	—	100	10,000 shares of HK$1 each	Investment holding
Artist Empire Jewellery Enterprise Company Limited	Hong Kong 2 April 2005	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Mfy. Limited	Hong Kong 8 September 2006	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories
Artist Empire Silver Jewellery Mfy. Limited	Hong Kong 7 January 2004	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire (Hai Feng) Jewellery Mfy. Limited *(note 1)*	PRC 28 March 2002	PRC	—	100	HK$97,600,000	Manufacturing and sale of fashion accessories
Artist Star International Development Limited	BVI 7 December 2004	Hong Kong	100	—	1,000 shares of US$1 each	Investment holding
Artplus Investment Limited	Hong Kong 9 June 1992	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Arts Empire Macao Commercial Offshore Limited	Macao 14 January 2005	Macao	—	100	MOP 200,000	Trading of fashion accessories and related raw materials

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(Expressed in Hong Kong dollars)

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Bo-Wealth (Shenzhen) Trading Co. Ltd. *(note 1)*	PRC 19 October 2006	PRC	—	100	HK$1,500,000	Trading of fashion accessories
Elili Int'l Company Limited	Hong Kong 19 July 2006	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories
Gain Trade Enterprise Limited	Hong Kong 15 October 2004	Hong Kong	—	100	100 shares of HK$1 each	Investment holding
Glamm International Trading (Dalian) Co., Ltd. *(note 1)*	PRC 27 November 2008	PRC	—	100	HK$1,000,000	Trading of fashion accessories
Gentleman Investments Limited	Hong Kong 20 January 1993	Hong Kong	—	100	10,000 shares of HK$1 each	Investment holding
Instar International Company Limited	BVI 25 November 2004	Hong Kong	—	100	100 shares of US$1 each	Investment holding
Keon Company Limited	Hong Kong 27 April 2005	Hong Kong	—	100	10,000 shares of HK$1 each	Provision of logistics services
King Land Limited	Hong Kong 11 November 2008	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories and related raw materials
Q'ggle Company Limited	Hong Kong 19 July 2006	Hong Kong	—	100	100 shares of HK$1 each	Investment holding
Q'ggle Lingerie Company Limited	Hong Kong 30 September 2009	Hong Kong	—	73.3	7,500,000 shares of HK$1 each	Retailing of lingerie products

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Shenzhen Artini Fashion Accessories Co., Ltd. *(note 1)*	PRC 6 June 2006	PRC	—	100	HK$200,000,000	Retailing of fashion accessories
TCK Company Limited	BVI 25 November 2004	Hong Kong	—	100	100 shares of US$1 each	Trading of fashion accessories and related raw materials
Techjoy Limited	BVI 12 January 2010	Hong Kong	—	100	100 shares of US$1 each	Trading of fashion accessories

Note 1: 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 during the year or at the end of the reporting period.

19. TRADING SECURITIES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Equity securities, at fair value				
— Listed in Hong Kong	**3,568**	23,107	**3,568**	23,107
— Listed outside Hong Kong	**1,323**	1,293	**—**	—
	4,891	24,400	**3,568**	23,107

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**14,020**	17,727
Work in progress	**17,834**	22,070
Finished goods	**33,473**	43,131
	65,327	82,928

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount of inventories sold	**240,367**	221,921
Allowance (reversal of allowance) of inventories	**9,255**	(4,056)
	249,622	217,865

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade debtors	**46,682**	49,526	**—**	—
Less: Allowance for doubtful debts *(note 21(b))*	**(12,902)**	(9,752)	**—**	—
	33,780	39,774	**—**	—
Rental deposits	**12,385**	10,168	**—**	—
Prepayment for purchase of raw materials	**11,398**	25,306	**—**	—
Prepayment for advertising service	**834**	2,835	**—**	—
Deposit for acquisition of business *(note 21(c))*	**5,260**	15,000	**5,260**	15,000
Loan receivable *(note 21(d))*	**—**	5,477	**—**	—
Other prepayments and receivables	**5,413**	11,603	**—**	676
	69,070	110,163	**5,260**	15,676

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

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

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

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors

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

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

	2012 **HK$'000**	2011 HK$'000
At beginning of reporting period	**9,752**	344
Increase in allowance	**3,150**	9,408
At the end of reporting period	**12,902**	9,752

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

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are set out in note 21(a).

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

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

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Deposit for acquisition of business

On 26 April 2010, the Group entered into a letter of intent ("first LOI") to acquire 50% equity interest in a company which was in the process of applying for a land use right for the development of logistic business in the PRC and a deposit of HK$15,000,000 was paid by the Group. In view of the delay in the progress of the project, the management had changed its intention to focus on its core business. On 13 June 2011, the Group entered into another letter of intent ("second LOI") to dispose of its right and obligation of investment under the first LOI to a third party at a consideration of RMB13,300,000 (approximately HK$15,747,000).

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

(d) Loan receivable

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

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**200**	53,280	**—**	—
Cash at bank and in hand	**95,963**	77,837	**14,064**	1,653
	96,163	131,117	**14,064**	1,653

Included in cash and cash equivalents in the consolidated statement of financial position were amounts denominated in Renminbi of approximately RMB49,527,000 (2011: RMB52,069,000). Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restriction imposed on by the PRC government.

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors *(note 23(a))*	**13,931**	8,573	**—**	—
Receipts in advance	**11,036**	13,948	**—**	—
Value added tax and other tax payable	**1,552**	356	**—**	—
Provision for onerous contracts *(note 23(b))*	**1,188**	3,048	**2,480**	3,173
Accrued charges and other payables	**29,695**	29,643	**22,499**	16,956
	57,402	55,568	**24,979**	20,129

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

23. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade creditors

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

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

(b) Provision for onerous contracts

Movements of provision for onerous contracts are summarised as follows:

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

24. BANK LOANS AND OTHER FACILITIES

(a) Bank loan

At 31 March 2012, the bank loan of the Group, which is denominated in Renminbi, is secured by pledging a property with carrying value of HK$22,304,000 (2011: HK$22,976,000), carries interest at 7.315% (2011: 5.68%) per annum subject to China's benchmark interest rate and is wholly repayable within five years by 14 December 2013. As it is a loan with a clause in its term that gives the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it is classified as current liabilities even though the directors do not expect that the bank would exercise their rights to demand repayment.

Analysis of carrying amount of bank loan based on scheduled repayment dates set out in the loan agreements and disregard the effect of any repayment on demand clause are as follows:

	2012 HK$'000	2011 HK$'000
Within 1 year	9,928	4,262
After 1 year but within 2 years	10,173	9,590
After 2 years but within 5 years	—	9,828
	20,101	23,680

(b) Other facilities

Apart from the bank loan, the Group has also obtained general banking facilities which are secured by legal charge over certain of its properties with an aggregate carrying value of HK$4,091,000 (2011: HK$8,024,000) and cross corporate guarantee given by the Group. At the end of the reporting period, the general banking facilities available to the Group amounted to HK$503,000 (2011: HK$11,598,000), which were utilised by the Group to the extent of HK$463,000 (2011: HK$1,250,000) for bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

25. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2012, the Group had obligations under finance leases repayable as follows:

	The Group			
	2012		2011	
	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
Within 1 year	**1,067**	**1,120**	1,340	1,497
After 1 year but within 2 years	**81**	**82**	1,148	1,202
	1,148	**1,202**	2,488	2,699
Less: Total future interest expenses		**(54)**		(211)
		1,148		2,488

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 15(b)).

26. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in other jurisdictions are members of state-managed retirement benefits schemes operated by the government of the respective jurisdictions. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect of the retirement benefits schemes is to make the specified contributions.

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a Pre-IPO Share Option Scheme and 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 $5 million must be approved in advance by the Company's shareholders.

Options granted under the Pre-IPO Share Option Scheme must be taken up within 28 days of the date of grant upon payment of $1 per grant of option. Options may generally be exercised from 16 May 2008 to 15 May 2011, subject to vesting periods as stated in the Pre-IPO Share Option Scheme. The subscription price for shares will be 85% of the offer price per share at the initial public offering of the Company.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant upon payment of $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. There is no minimum period for which an option granted on 27 March 2009 must be held before it can be exercised.

A maximum of 50% of the options granted to directors, employees, advisors and consultants on 27 July 2009 are exercisable between 27 July 2009 and 26 July 2010. The remaining options are exercisable between 27 July 2010 and 26 July 2011. The exercise periods of options granted to employees on 27 July 2009 are subject to certain conditions as disclosed in note 27(a)(i).

A maximum of 50% of the options granted to employees and consultants on 20 October 2009 are exercisable between 20 October 2009 and 19 January 2010. The remaining options are exercisable between 20 January 2010 and 19 October 2011.

27. EQUITY SETTLED SHARE -BASED TRANSACTIONS (CONTINUED)

A maximum of 50% of the options granted to the vice-chairman of the Company on 24 February 2012 vest immediately at the date of grant and are exercisable between 24 February 2012 and 23 February 2015. The remaining options vest three years after the date of grant and are exercisable between 24 February 2015 and 23 February 2018.

For options granted on 27 July 2009 and 20 October 2009, directors and employees must remain employed by the Group for a period of two years from the respective grant dates to be unconditionally entitled to the benefits of the share options.

Options granted on 27 July 2009 and 20 October 2009 to advisors and consultants are the remunerations for their advisory services rendered to the Group for a period of two years from the respective grant dates.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	**Exercise price** HK$	**Exercise period**
Options granted to directors on:			
— 2 May 2008 ("Tranche A")	2,620,000	1.887	16 May 2010 to 15 May 2011
— 27 July 2009 ("Tranche C")	21,300,000	0.830	27 July 2009 to 26 July 2011
— 24 February 2012 ("Tranche H")	6,000,000	0.222	24 February 2012 to 23 February 2015
— 24 February 2012 ("Tranche I")	6,000,000	0.222	24 February 2015 to 23 February 2018
Options granted to employees on:			
— 2 May 2008 ("Tranche A")	140,000	1.887	16 May 2010 to 15 May 2011
— 27 July 2009 ("Tranche E")	9,300,000	0.830	*note (i)*
Options granted to advisors/consultants on:			
— 27 July 2009 ("Tranche C")	34,200,000	0.830	27 July 2009 to 26 July 2011
— 20 October 2009 ("Tranche F")	2,500,000	0.680	20 October 2009 to 19 October 2011
— 20 October 2009 ("Tranche G")	7,450,000	0.680	20 October 2009 to 19 October 2011
Total share options existed during the year	89,510,000		

Notes:

(i) In respect of employees who had joined the Group for a full year or more on 27 July 2009, the options are exercisable between 27 July 2010 and 26 July 2011. In respect of employees who had not joined the Group for a full year on 27 July 2009, the options are exercisable during the 12 months commencing from the first anniversary of the Starting Date.

27. EQUITY SETTLED SHARE -BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows:

	2012 Weighted average exercise price HK$'000	2012 Number of options	2011 Weighted average exercise price HK$'000	2011 Number of options
Outstanding at the beginning of the year	**0.848**	**77,510,000**	0.820	135,145,000
Granted during the year	**0.222**	**12,000,000**	—	—
Forfeited during the year	—	—	0.890	(10,280,000)
Exercised during the year	—	—	0.697	(44,850,000)
Lapsed during the year	**0.848**	**(77,510,000)**	1.887	(2,505,000)
Outstanding at the end of the year	**0.222**	**12,000,000**	0.848	77,510,000
Exercisable at the end of the year	**0.222**	**12,000,000**	0.848	77,510,000

No share options were exercised during the year ended 31 March 2012. The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2011 was HK$0.929.

The options outstanding at 31 March 2012 had an exercise price of HK$0.222 (2011: HK$0.680 to HK$1.887) and a weighted average remaining contractual life of 5.9 years (2011: 0.4 years).

Subsequent to the end of reporting period and up to the date of these financial statements, no share options under the Share Option Scheme was exercised.

(c) Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

Tranche	**Exercise period**	**Exercise price** HK$	**2012 Number of options**	2011 Number of options
A	16 May 2010 to 15 May 2011	1.887	—	2,760,000
C	27 July 2009 to 26 July 2011	0.830	—	55,200,000
E	*Note 27(a)(i)*	0.830	—	9,600,000
G	20 January 2010 to 19 October 2011	0.680	—	9,950,000
H	24 February 2012 to 23 February 2015	0.222	**6,000,000**	—
I	24 February 2015 to 23 February 2018	0.222	**6,000,000**	—
			12,000,000	77,510,000

Each option holder is entitled to subscribe for one ordinary share in the Company.

27. EQUITY SETTLED SHARE -BASED TRANSACTIONS (CONTINUED)

(d) Fair value of share options and assumptions

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 estimate of the fair value of the share options granted was measured based on either the binomial option pricing model or the Black-Scholes option pricing model. The inputs into the models were as follows:

Fair value of share options and assumptions

	Pre-IPO Share Option Scheme				**Share Option Scheme**			
Granted on	2 May 2008	27 March 2009	27 July 2009	27 July 2009	20 October 2009	20 October 2009	24 February 2012	24 February 2012
Tranche	A	B	C and E	D	F	G	H	I
Option pricing model	Binominal	Binominal	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Binominal	Binominal
Fair value per share option at measurement date	$0.824	$0.234	$0.303	$0.252	$0.038	$0.216	$0.098	$0.134
Share price	$2.109	$0.371	$0.830	$0.830	$0.640	$0.640	$0.222	$0.222
Exercise price	$1.887	$0.371	$0.830	$0.830	$0.680	$0.680	$0.222	$0.222
Expected volatility	50.05%	52.72%	73.11%	85.06%	45.79%	71.54%	69.56%	71.76%
Expected option period	3 years	10 years	2 years	1 year	0.25 year	2 years	3 years	6 years
Risk-free rate (based on Hong Kong Exchange Fund Notes)	1.852%	1.927%	0.363%	0.090%	0.030%	0.464%	0.350%	0.790%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%

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

The option pricing models require 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.

Certain share options were granted under service conditions. These conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

28. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

The Group							
Deferred tax arising from:	Unutilised tax losses HK$'000	Depreciation allowances in excess of the related depreciation HK$'000	Unrealised gains/losses and provision on inventories HK$'000	Impairment loss for bad and doubtful debts HK$'000	Undistributed earnings of PRC subsidiaries HK$'000	Revaluation of intangible assets arisen from business combination HK$'000	Total HK$'000
At 1 April 2010	(4,739)	(220)	(4,465)	(1,448)	1,268	—	(9,604)
Acquisition of subsidiary	—	—	—	—	—	3,512	3,512
Charged (credited) to profit or loss	—	169	800	—	(1,268)	—	(299)
Exchange adjustments	(191)	—	—	(62)	—	—	(253)
At 31 March 2011	(4,930)	(51)	(3,665)	(1,510)	—	3,512	(6,644)
At 1 April 2011	(4,930)	(51)	(3,665)	(1,510)	—	3,512	(6,644)
Charged (credited) to profit or loss	5,099	93	(6,440)	—	—	(3,137)	(4,385)
Exchange adjustments	(169)	—	—	(36)	—	—	(205)
At 31 March 2012	—	42	(10,105)	(1,546)	—	375	(11,234)

	The Group	
	2012 HK$'000	2011 HK$'000
Representing:		
Net deferred tax assets recognised on the consolidated statement of financial position	**(11,841)**	(11,526)
Net deferred tax liabilities recognised on the consolidated statement of financial position	**607**	4,882
	(11,234)	(6,644)

In accordance with the accounting policy set out in note 3(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$325,796,000 (2011: HK$261,655,000) and deductible temporary differences of HK$14,124,000 (2011: HK$9,408,000) as it is not probable that future taxable profits against which the deferred tax assets can be utilised will be available in the relevant tax jurisdiction and entity. Included in unrecognised tax losses is an amount of HK$195,745,000 (2011: HK$136,468,000) which can be carried forward up to five years from the year in which the loss originated. Losses amounting to HK$59,073,000 (2011: HK$59,073,000), HK$74,396,000 (2011: HK$77,395,000) and HK$62,276,000 (2011: HK$Nil) will expire in 2015, 2016 and 2017 respectively. The remaining balance does not expire under the current tax legislation.

29. SHARE CAPITAL

Authorised and issued share capital

	2012 Number of shares '000	2012 Amount HK$'000	2011 Number of shares '000	2011 Amount HK$'000
Authorised:				
Ordinary shares of $0.10 each	**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
At the beginning of the year	**1,237,320**	**123,732**	1,116,538	111,654
Shares issued under share placement	—	—	83,543	8,354
Shares issued under share option schemes	—	—	44,850	4,485
Shares issued upon conversion of convertible bond	—	—	19,441	1,944
Shares repurchased	—	—	(27,052)	(2,705)
At the end of reporting period	**1,237,320**	**123,732**	1,237,320	123,732

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

30. RESERVES AND DIVIDENDS

The Company:

	Share premium HK$'000	Contributed surplus HK$'000	Share-based capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	478,227	133,424	15,172	(273,488)	353,335
Loss for the year	—	—	—	(166,871)	(166,871)
Total comprehensive loss for the year	—	—	—	(166,871)	(166,871)
Transactions with owners of the Company					
Issue of shares under share placement	35,924	—	—	—	35,924
Share issuance costs	(1,550)	—	—	—	(1,550)
Issue of shares upon conversion of convertible bonds	15,941	—	—	—	15,941
Equity-settled share-based transactions	—	—	12,842	4,758	17,600
Shares issued under share option schemes	32,681	—	(5,918)	—	26,763
Repurchase of shares	(11,249)	—	—	—	(11,249)
Total transactions with owners of the Company	71,747	—	6,924	4,758	83,429
At 31 March 2011	549,974	133,424	22,096	(435,601)	269,893
At 1 April 2011	**549,974**	**133,424**	**22,096**	**(435,601)**	**269,893**
Loss for the year	**—**	**—**	**—**	**(135,838)**	**(135,838)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(135,838)**	**(135,838)**
Transactions with owners of the Company					
Equity-settled share-based transactions	**—**	**—**	**(21,486)**	**23,820**	**2,334**
Total transactions with owners of the Company	**—**	**—**	**(21,486)**	**—**	**2,334**
At 31 March 2012	**549,974**	**133,424**	**610**	**(547,619)**	**136,389**

30. RESERVES AND DIVIDENDS (CONTINUED)

At 31 March 2012, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$Nil (2011: HK$Nil).

No dividend has been paid or declared during each of the years ended 31 March 2012 and 2011. The directors do not recommend the payment of a final dividend for 2012 (2011: Nil).

The following provides a description of nature and purpose of each reserve within equity:

(i) Share premium

Under the Bye-laws of the Company, share premium is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

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 reorganization of the Group on 23 April 2008. Under the Bermuda Companies Act 1981, the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; and (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iii) Other reserve

The other reserve 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 the Group prior to the reorganisation of the Group on 23 April 2008.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which are dealt with in accordance with the accounting policies as set out in note 3(s).

30. RESERVES AND DIVIDENDS (CONTINUED)

(v) PRC statutory reserves

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

— *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.

— *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.

(vi) Share-based capital reserve

The share-based capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to directors, employees, advisors and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments in notes 3(n)(iii) and (o).

(vii) Legal reserve

In accordance with Macao Commercial Code, the Company's subsidiary incorporated in Macao is required to appropriate 25% of net profit to legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to equity holders.

31. CASH USED IN OPERATIONS

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(148,430)**	(173,946)
Depreciation	**27,710**	21,438
Finance costs	**1,702**	3,630
Interest income	**(523)**	(1,010)
Dividend income	**(47)**	(352)
Net (gain) loss on disposal of property, plant and equipment	**(61)**	102
Net gain on disposal of investment properties	**—**	(1,543)
Amortisation of intangible assets	**5,225**	3,699
(Reversal of provision) provision for onerous contracts	**(1,988)**	867
Allowance for doubtful debts on trade and other receivables	**4,278**	13,008
Allowance (reversal of allowance) for inventories	**9,255**	(4,056)
Impairment loss on trade and other receivables	**5,103**	7,701
Impairment loss on goodwill	**7,123**	—
Impairment loss on intangible assets	**6,616**	—
Equity-settled share-based payment expenses	**2,334**	17,600
Share of loss of an associate	**—**	210
Loss of property, plant and equipment on fire accident	**—**	6,594
Realised loss on redemption of convertible bonds	**—**	3,759
Gain on step acquisition of a subsidiary	**—**	(1,663)
Net realised and unrealised losses of trading securities	**5,091**	8,826
Change in fair value of derivative financial instruments	**—**	(757)
Foreign exchange loss (gain)	**133**	(522)
Decrease (increase) in inventories	**11,590**	(4,892)
Decrease in trade and other receivables	**35,402**	3,518
Increase (decrease) in trade and other payables	**2,486**	(9,555)
Decrease in rental deposits	**3,131**	1,184
Cash used in operations	**(23,870)**	(106,160)

32. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders, and to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the debt level by issuing new shares or selling assets to reduce debt.

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 24% at 31 March 2012 (2011: 18%). The Group had time deposits and cash balances as at 31 March 2012 amounting to $96,163,000 (2011: $131,117,000).

Some of the Group's banking facilities are subject to financial covenants imposed by certain creditor banks.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These debtors are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At the end of reporting period, the Group has a certain concentration of credit risk as 20% (2011: 16%) and 54% (2011: 37%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively.

At the end of reporting period, the Company has a concentration of credit risk as 99% (2011: 94%) of the total amounts due from subsidiaries was due from the five largest subsidiaries.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Credit risks and exposure are closely controlled and monitored on an on-going basis by management of the Group. Management set appropriate credit limits and terms after credit evaluations have been performed on customers on a case by case basis. Overdue status of customers is reviewed on a weekly basis. Management is well aware of the concentration of credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	The Group Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
At 31 March 2012				
Trade and other payables	**57,402**	**—**	**57,402**	**57,402**
Finance lease liabilities	**1,120**	**82**	**1,202**	**1,148**
Bank loans	**21,572**	**—**	**21,572**	**20,101**
	80,094	**82**	**80,176**	**78,651**

	The Group Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March 2011				
Trade and other payables	55,568	—	55,568	55,568
Finance lease liabilities	1,497	1,202	2,699	2,488
Bank loans	25,159	—	25,159	23,680
	82,224	1,202	83,426	81,736

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The table that follows summarises the maturity analysis of a bank loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	The Group Maturity analysis — Bank loan subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**Total undiscounted cash flows** HK$'000	**Carrying amount** HK$'000
31 March 2012	**11,398**	**11,217**	**—**	**22,615**	**20,101**
31 March 2011	5,742	11,070	10,877	27,689	23,680

	The Company Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
At 31 March 2012				
Accrued charges and other payables	**24,979**	**—**	**24,979**	**24,979**
At 31 March 2011				
Accrued charges and other payables	20,129	—	20,129	20,129

	The Company Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
Financial guarantees issued:				
Maximum amounted guaranteed				
At 31 March 2012	**284**	**—**	**284**	**—**
At 31 March 2011	1,250	—	1,250	—

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

As at the end of the reporting period, the Company has issued guarantees to certain banks in respect of banking facilities granted to certain wholly owned subsidiaries which remain in force so long as the subsidiaries have drawn down under the banking facilities. At the end of the reporting period, the amount of the facilities drawn down by the subsidiaries was HK$Nil (2011: Nil).

Certain cross guarantee arrangements issued by the Company and certain of its wholly owned subsidiaries to certain banks in respect of banking facilities granted to the Group which remain in force so long as the Group has drawn down under the banking facilities. Under each of these guarantees, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

The maximum liability of the Company at the end reporting period under the cross guarantee is the aggregate amount of the facilities drawn down by all the subsidiaries that are covered by the cross guarantee, being HK$284,000 (2011: HK$1,250,000).

Based on the past history and expectations at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the above guarantees. Accordingly, these financial guarantee contracts are not recognised in the statement of financial position of the Company.

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group monitors the level of its fixed rate and variable rate borrowings and manages the contractual terms of the interest-bearing financial liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total interest-bearing borrowings at the end of reporting period.

	The Group			
	2012		2011	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
— Obligations under finance leases	**14.61**	**1,148**	11.70	2,488
Variable rate borrowings:				
— Bank loans	**7.60**	**20,101**	5.64	23,680
Total interest-bearing borrowings		**21,249**		26,168

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by HK$201,000 (2011: HK$237,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate.

	The Group Exposure to foreign currencies (expressed in HK$'000)			
	2012		2011	
	United States dollars	**Renminbi**	United States dollars	Renminbi
Cash and cash equivalents	**1,664**	**—**	29,961	—
Trade and other receivables	**27,069**	**1,022**	26,673	32
Trade and other payables	**(6,309)**	**(848)**	(6,443)	(147)
Net exposure arising from recognised assets and liabilities	**22,424**	**174**	50,191	(115)

Since Hong Kong dollar is pegged against United States dollar, it is assumed that the foreign exchange risk is remote. The conversion of Renminbi ("RMB") into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group			
	2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Trading securities	**4,891**	**—**	**—**	**4,891**

	The Group			
	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	24,400	—	—	24,400

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value (continued)

(i) Financial instruments carried at fair value (continued)

	The Company 2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Trading securities	**3,568**	**—**	**—**	**3,568**

	The Company 2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	23,107	—	—	23,107

Fair value is based on quoted market prices at the end of reporting period without any deduction for transaction costs.

(ii) Fair values of financial instruments carried at other than fair values

The carrying amounts of significant financial assets and liabilities carried at cost or amortised cost are not materially different from their respective fair values as at 31 March 2012 and 2011.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Interest-bearing loans and borrowings and finance lease liabilities

The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Estimation of fair values (continued)

(ii) Other financial assets and liabilities

The carrying values of trade and other receivables, cash and cash equivalents and trade and other payables are estimated to approximate their fair values based on the nature or short-term maturity of these instruments.

Fair value estimates are made at a specific point of time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

34. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2012 not provided for in the financial statements were as follows:

	The Group	
	2012 **HK$'000**	2011 HK$'000
Contracted for	**3,364**	3,249

(b) At 31 March 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2012 **HK$'000**	2011 HK$'000
Within 1 year	**24,110**	35,542
After 1 year but within 5 years	**6,830**	22,656
	30,940	58,198

The Group leases a number of properties under operating leases in respect of retail shops, offices and warehouses. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. The operating lease rentals of certain outlets are based on the higher of minimum guaranteed rental and sales level based rental. The above operating lease commitments represent commitments for fixed rental and minimum guaranteed rental.

34. COMMITMENTS (CONTINUED)

(c) At 31 March 2012, the Group committed to pay royalties for the usage of several brands for manufacture and trading of fashion accessories with a minimum guaranteed royalty payments as follows:

	2012 HK$'000	2011 HK$'000
Within 1 year	**2,022**	3,713
After 1 year but within 5 years	**776**	2,809
	2,798	6,522

35. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in other notes to the consolidated financial statements, the Group entered into the following material related party transactions during the year.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11, one of the highest paid employees as disclosed in note 12, and other key management personnel, is as follows:

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**15,763**	20,247
Post-employment benefits	**43**	58
Equity-compensation benefits	**1,776**	7,742
	17,582	28,047

Total remuneration is included in "staff costs" (see note 9(b)).

Acquisition of properties

On 28 March 2011, the Group entered into agreements on acquisition of three properties from Mr. Tse Chiu Kwan, the Chairman, an executive director and a controlling shareholder of the Company. An aggregate consideration of approximately HK$8,026,000 together with legal and professional fees of approximately HK$453,000 were paid and the transaction was completed on 29 September 2011.

Mr. Tse Chiu Kwan, being a controlling shareholder of the Company, was a connected person to the Company and the transaction constituted a connected transaction for the Company under the Listing Rules.