ARTINI CHINA CO. LTD.
雅天妮中國有限公司
(Incorporated in Bermuda with limited liability)




Annual Report 2012-13

ARTINI
雅天妮
Stock Code: 789

ARTINI
雅天妮

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.

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 Hoi Chau
(Chairman (appointed on 10 December 2012)) and
(Chief Executive (appointed on 21 June 2013))
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 Hoi Chau (appointed on 10 December 2012)
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

NOMINATION COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Tse Hoi Chau (appointed on 10 December 2012)
Mr. Lau Yiu Kit
Mr. Chan Shu Hung Joseph (appointed on 29 June 2012)

COMPANY SECRETARY

Mr. Cheung Yuk Chuen, *FCCA, HKICPA*
(appointed on 28 November 2012)

AUTHORISED REPRESENTATIVES

Ms. Yip Ying Kam (appointed on 14 August 2012)
Mr. Cheung Yuk Chuen, *FCCA, HKICPA*
(appointed on 28 November 2012)

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
26 Burnaby Street
Hamilton HM11
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

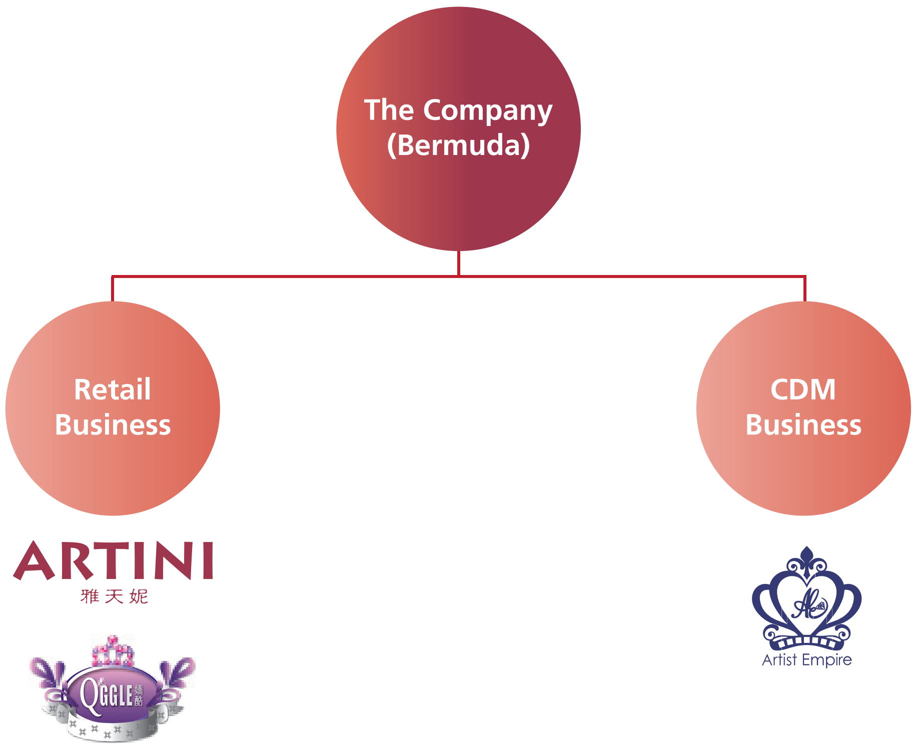
Corporate Profile

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 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 three brands and world-renowned brands including Marks & Spencer, Disney and Nine West of over 3 million pieces annually, distributing to the PRC, Europe and America etc.

As at 31 March 2013, the Group's retail network comprised about 30 retail points across 10 cities in the PRC and Hong Kong, with a strong presence in first-tier cities such as Guangzhou and Shenzhen.

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



Five-Year Financial Highlights

(All amounts in HK$ thousands unless otherwise stated)

	For the year ended 31 March				
	2013	2012	2011	2010	2009
Turnover	**191,218**	323,311	362,921	366,119	564,101
Gross profit	**43,830**	73,689	145,056	175,777	237,608
Loss from operations	**(97,269)**	(146,728)	(170,106)	(98,483)	(137,641)
Loss for the year	**(109,028)**	(144,291)	(176,717)	(100,449)	(140,529)
Non-current assets	**79,381**	104,452	133,349	120,956	121,083
Current assets	**139,805**	236,406	349,555	425,567	393,657
Current liabilities	**66,622**	79,998	82,861	81,441	51,185
Net current assets	**73,183**	156,408	266,694	344,126	342,472
Total assets less current liabilities	**152,564**	260,860	400,043	465,082	463,555
Total equity	**151,851**	260,172	394,013	463,192	461,525
Gross profit margin (%)	**22.9**	22.8	40.0	48.0	42.1
Net loss margin (%)	**(57.0)**	(44.6)	(48.7)	(27.4)	(24.9)
Basic and diluted loss per share (HK$)	**(0.088)**	(0.116)	(0.143)	(0.098)	(0.145)
Current ratio (X)	**2.1**	3.0	4.2	5.2	7.7
Return on equity (%)	**(71.8)**	(55.5)	(44.9)	(21.7)	(45.6)
Return on assets (%)	**(49.7)**	(42.3)	(36.6)	(18.9)	(31.6)

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,

In the few months since my appointment as the Chairman of Artini last December, I have witnessed the unity and team spirit within the Group. With the tremendous support from our staff, I am confident that I will steer the Group towards a new milestone. On behalf of the Group, I hereby present the annual report on the consolidated results for the year ended 31 March 2013 (the "Year") to the Shareholders.

VARIANCE, INNOVATION, VITALITY AND LEARNING

Since the establishment of our first retail shop in 2003, "Artini" has acted as the trendsetter over the decade and aspired to present our customers with fashionable accessories that can show their personality. The Group has developed the corporate culture of "Variance, Innovation, Vitality and Learning" this year. I will initiate a major reform in the future with an aim to reposition our "Artini" brand. Through brand positioning, trademark design, product portfolio, materials and craftsmanship, pricing, marketing as well as sales channels, the Group strives to create a new brand image.

With the determination to implement comprehensive reform for "Artini", the Group has commissioned an international brand image consulting firm and a leading marketing team. In addition, an exchange centre for designers was established in the main office. Talented local and overseas designers were invited to join and create brand new product series in order to enhance our overall product value.

The "Artini" brand owes its success to our innovative design, exquisite craftsmanship and heart-warming services. In order to express our gratitude to our loyal customers for their long-term support and to enhance their shopping experience, the Group is seeking to formulate a new product proposal in providing tailor-made services of high-end accessories.

In view of the persistently high rental cost in China and Hong Kong and the signs of slowdown in the strong consumption growth over the past few years, the Group will reduce our number of retail shops in an effort to concentrate resources on the optimisation of our retail network. The Group also plans to focus on our Hong Kong, Shenzhen and Guangzhou markets, and will set up sales points at selected sites with heavy pedestrian flow. In addition, the Group will improve our product and service quality so as to expand our customer base.

In a bid to differentiate the Group in the highly competitive fashion jewellery and accessories market, our "Artini" brand spares no effort to deliver a refreshing image to our loyal customers through changes and innovation, unique brand positioning as well as elegant and stylish product series.

STRENGTHENING OF MANUFACTURING CAPACITY THROUGH EXPANSION OF CDM BUSINESS

Despite the uncertainties in the recovery of global economy, we remain prudently optimistic about the long-term economic prospects, and the Group will actively

expand our CDM business. Aside from consolidating our existing clientele, the Group will also further expand our business into other emerging markets through online advertising of our proprietary gifts and CDM business.

Thanks to our long-established vertically integrated model and stringent requirements on design, craftsmanship and finished products, the Group's CDM business has successfully attracted quality brands from around the world. In order to further expand the gifts market, the Group will seek for cooperation with quality manufacturers to increase the CDM production volume, so as to capture the business opportunities in the new markets.

As the Chairman of the Group, my first mission is to promote excellence in innovation, craftsmanship, quality and services, all of which are the core values of the Group.

In the past, our "Artini" brand has successfully positioned itself in China. Looking ahead, we will focus on enhancing our brand image and product value, further optimising our sales network as well as strengthening our marketing efforts to increase potential customers' awareness of our brand. With our acute fashion sense and awareness of the latest trend, we design and manufacture quality products for our retail and CDM customers in order to consolidate our market share. Meanwhile, the Group will reinforce our cost control and staff organisation. Objectives will be set for the retail, CDM and other departments to motivate our staff to leverage their complementary strengths and maximise returns for shareholders of the Group.

We understand that various challenges lie ahead. However, with our expertise, extensive experience and networks of contacts, I am confident that I will be able to lead the Group in introducing new ideas and expanding into new markets.

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

Tse Hoi Chau
Chairman

Hong Kong, 21 June 2013

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

Artist Empire

Q'GGLE 嬌酷

Management Discussion and Analysis

BUSINESS REVIEW

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

RETAIL BUSINESS

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

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

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

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

Management Discussion and Analysis

CONCURRENT DESIGN MANUFACTURING ("CDM") BUSINESS

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

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

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

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

PROSPECTS

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

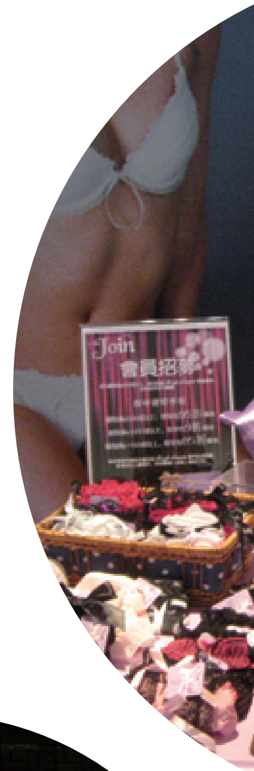
Turnover

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

CDM business

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

Management Discussion and Analysis



Retail business

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

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the American, the European, and Hong Kong and Macao markets, which accounted for 17.0%, 17.7%, 48.0% and 10.0% of the turnover respectively in 2013, compared to 23.5%, 10.6%, 30.3% and 29.4% in 2012.

Cost of sales

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

Gross profit

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

Operating expenses

Operating expenses for the year ended 31 March 2013 accounted for 69.8% of the Group's total sales, compared with 65.1% of last year. They mainly comprised selling and distribution costs as well as administrative outlays, all of which were effectively managed by the Group's reinforced management team along with strengthened internal oversight and process control.

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

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

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

Loss attributable to owners of the Company

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

Financial guarantees issued

The Company has issued guarantee to a bank in respect of banking facilities granted to certain wholly-owned subsidiaries. Certain wholly-owned subsidiaries were covered by a cross-guarantee arrangement with respect to certain banking facilities granted to the Group.

Income tax

During the year ended 31 March 2013, the income tax expenses of the Group amounted to HK$10,129,000 (2012: tax credit of HK$4,139,000). The change was mainly due to the write-down of deferred tax assets on temporary differences previously recognised of HK$7,729,000 after considering the continuous loss from the retailing and distribution segment.

Loss per share

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

Dividend

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

Foreign exchange exposure

The main business activities of the Group take place in the PRC, the United States, Europe and Hong Kong with most transactions settled in Renminbi, United States dollars and Hong Kong dollars. Foreign currency exposure to United States dollars is minimal as Hong Kong dollars is pegged to the United States dollars. During the fiscal year, the exchange rate of Renminbi to Hong Kong dollars increased steadily. Accordingly, the Directors consider that the potential foreign exchange exposure of the Group is relatively limited. Moreover, the Group has not used any forward contracts or other derivative products to hedge interest rate or exchange rate risks. The management of the Group will, nonetheless, continue to monitor foreign currency risks and adopt prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities. During the year ended 31 March 2013, the Group recorded net exchange gain of approximately HK$456,000 (2012: exchange loss of HK$428,000).

Significant Investments and Acquisitions

During the year ended 31 March 2013, the Group did not have any significant investments, acquisitions or disposals of subsidiaries. The Group continued to seek opportunities to acquire and cooperate with international customers in order to generate better returns for the shareholders and the Board will decide what the best available source of funding is for the investments and acquisitions when suitable opportunities arise.

Impairment loss on trade and other receivables

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

Impairment loss on intangible assets and goodwill

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

Allowance for doubtful debts on trade receivables

As at 31 March 2013, the Group made specific allowance for doubtful debts on trade receivables with an amount of HK$5,828,000 (2012: HK$3,150,000). The individually impaired trade receivables related to a customer that was in financial difficulties and the management assessed that the prospect of recovery of the trade receivables was in doubt. The Group is taking necessary steps including negotiations and legal actions to seek the final settlement of this trade receivable.

Employees and emoluments

As at 31 March 2013, the Group had approximately 1,000 employees (2012: 1,690). To enhance their expertise, product knowledge, marketing skills and overall operational management abilities, the Group organises regular training and development courses for staff, providing them with a competitive remuneration package, including salary, allowance, insurance and commission/bonus. The Group also participated in retirement benefits schemes for its employees in Hong Kong and the PRC.

Liquidity and financial resources

During the year ended 31 March 2013, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2013, the bank loans of the Group amounted to HK$20,708,000, which were denominated in Renminbi, and carried interest at floating rate, were secured by pledging of a property with carrying value of HK$13,272,000 (2012: HK$22,304,000) and were repayable within five years after the draw-down dates. As the loans contain a clause in its terms that gives the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it is classified as current liabilities even though the Directors did not expect that the bank would exercise their rights to demand repayment.

Apart from these bank loans, the Group has also obtained general banking facilities which were secured by legal charge over certain of its property with carrying value of HK$3,949,000 (2012: HK$4,091,000) and cross corporate guarantee within the Group. At the end of the reporting period, the general banking facilities available to the Group amounted to HK$219,000 (2012: HK$503,000), which were utilised by the Group to the extent of HK$179,000 (2012: HK$463,000).

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

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group was 30.7% as at 31 March 2013 (2012: 23.7%). As at 31 March 2013, the Group had time deposits and cash balances of HK$52,456,000 (2012: HK$96,163,000).

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2013 (2012: Nil).

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.

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. TSE Hoi Chau, aged 46, was appointed as the Chairman, an executive Director, and a member of the remuneration committee and nomination committee of the Company on 10 December 2012 and was further appointed as chief executive of the Company on 21 June 2013. Mr. Tse Hoi Chau possesses more than 20 years' experience in the fashion ornament and jewelry wholesale industry. Mr. Tse Hoi Chau also has experience in property investment, mineral exploration and mineral trade and sales. Mr. Tse Hoi Chau is the founder and director of Viennois Group Co., Ltd, a company based in Guangzhou, China. Mr. Tse Hoi Chau is currently the executive chairman of the China Jewelry Association Fashion Ornament Chapter, a member of the Standing Committee of the People's Political Consultative Conference of Shanwei City, Guangdong Province, a committee member of the People's Political Consultative Conference of Liwan District, Guangzhou City, Guangdong Province, the deputy chairman of the Gems & Jewelry Trade Association of China, the deputy-chairman of the Confederation of Chinese Commerce and Industry Gift-industry Chamber of Commerce, and the deputy-chairman of the Guangdong Chamber of Private Enterprise. Mr. Tse Hoi Chau is the brother of Mr. Tse Chiu Kwan, the honorary chairman of the Company. Mr. Tse Hoi Chau is the sole director and sole shareholder of Walifax Investments Limited which, as at 31 March 2013, was interested in 358,822,894 shares of the Company, representing approximately 29.00% of the issued share capital of the Company. Mr. Tse Hoi Chau was personally interested in 7,412,000 shares, representing approximately 0.59% of the issued share capital of the Company.

Ms. YIP Ying Kam, aged 49, is the co-founder of the Group and was appointed as the Vice Chairman of the Board on 14 June 2007, re-designated as a non-executive Director on 17 July 2009 and re-designated as an executive Director on 23 February 2012. She was appointed as the chief executive and alternative authorized representative of the Company on 29 July 2012 and was further appointed as chief executive of the Company on 14 August 2012. She resigned as chief executive of the Company on 21 June 2013. 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 Chiu Kwan 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 sole director and sole shareholder of Excellent Gain International Holdings Limited which was interested in 185,586,006 shares of the Company as at 31 March 2013.

Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 41, 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 Company Secretary of BBMG Corporation which is listed on the main board of the Stock Exchange of Hong Kong Limited ("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. 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 53, was appointed as independent non-executive Director on 1 December 2010. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Lau is the sole proprietor and founder of Albert Y.K. Lau & Co., Certified Public Accountants. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong.

Mr. CHAN Shu Hung, Joseph, aged 66, 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. Cheung Yuk Chuen, aged 39, was appointed as Company Secretary on 28 November 2012. He holds a bachelors degree in business administration in accounting from the Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He possesses over 12 years of experience in the fields of accounting, auditing and tax consultancy.

Report of the Directors

The Directors submit herewith their report together with the audited financial statements of the Company for the year ended 31 March 2013 (the "Financial Statements").

PRINCIPAL PLACE OF BUSINESS

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong and its principal place of business is 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, retail and distribution and CDM of fashion accessories. The principal activities and other particulars of principal subsidiaries of the Company are set out in note 17 to the Financial Statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year ended 31 March 2013 are set out in note 6 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 27.2% (2012: 36.3%) of the total sales. The top five suppliers accounted for approximately 44.1% (2012: 20.7%) of the total purchases for the year ended 31 March 2013. In addition, the Group's largest customer accounted for approximately 7.6% (2012: 21.6%) of the total sales and the Group's largest supplier accounted for approximately 15.9% (2012: 5.4%) of the total purchases for the year ended 31 March 2013.

At no time during the year ended 31 March 2013 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 ended 31 March 2013, 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 33 to the Financial Statements.

FINANCIAL STATEMENTS

The loss of the Group and the state of the Company's and the Group's affairs as at 31 March 2013 are set out in the Financial Statements on pages 50 to 112 respectively.

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of HK$109,008,000 (2012: HK$143,342,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

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

CHARITABLE DONATIONS

The Group did not have charitable donation during the year ended 31 March 2013 (2012: HK$Nil).

FIXED ASSETS

Details of movements in fixed assets during the year ended 31 March 2013 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 ended 31 March 2013 are set out in note 27 to the Financial Statements.

DIRECTORS

The Directors during the year ended 31 March 2013 and up to the date of this report are:

Executive Directors

Mr. Tse Hoi Chau (appointed as Chairman and Chief Executive on 10 December 2012 and 21 June 2013 respectively)
Ms. Yip Ying Kam (Vice-Chairman and Chief Operational Officer and appointed and resigned as Chief Executive on 14 August 2012 and 21 June 2013 respectively)
Mr. Tse Chiu Kwan (re-designated as Non-executive Chairman and Non-executive Director on 14 August 2012 and resigned as Non-executive Director and re-designated as Honorary Chairman on 10 December 2012)

Independent Non-executive Directors

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

Pursuant to Bye-law 86(2) of the bye-laws of the Company (the "Bye-laws"), all newly appointed director of the Company shall hold office until the next AGM and shall then be eligible for re-election.

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

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 39 and 40.

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

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

As at 31 March 2013, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

Long positions in ordinary shares of HK$0.10 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 2013
Tse Hoi Chau	The Company	Corporate interest	358,822,894 *(Note 1)*	—	29.00%
		Beneficial interest	7,412,000	—	0.59%
Yip Ying Kam	The Company	Corporate interest	185,586,006 *(Note 2)*	—	14.99%
		Beneficial interest	—	12,000,000 *(Note 3)*	0.97%

Notes:

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

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 adopted by the Company on 23 April 2008 (the "Share Option Scheme").

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year ended 31 March 2013 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (with the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

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

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

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

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

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

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

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

(iii) the nominal value of the shares.

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue on the date on which the Company's shares were first listed on the Stock Exchange ("Listing Date") (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval 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.

SHARE OPTION SCHEME (continued)

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.

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 movement during the year ended 31 March 2013 under the Share Option Scheme are as follows:

		Number of share options							
Name of category	**Date of grant of share options**	**Outstanding at 01.04.2012**	**Granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**Cancelled during the Period**	**Outstanding at 31.03.2013**	**Validity period of share options**	**Exercise price** (HK$)
Director									
Yip Ying Kam	24.02.2012	12,000,000	—	—	—	—	12,000,000	24.02.2012–23.02.2018 *(Note)*	0.222
Total		**12,000,000**	**—**	**—**	**—**	**—**	**12,000,000**		

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

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

As at 31 March 2013, 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 held	Percentage of the issued share capital as at 31 March 2013
Walifax Investments Limited *(Note 1)*	Beneficial interest	358,822,894	29.00%
Excellent Gain International Holdings Limited *(Note 2)*	Beneficial interest	185,586,006	14.99%
Tse Chiu Kwan	Interest of Corporation Controlled	175,679,100	14.20%
	Beneficial interest	8,132,000	0.66%
Fully Gain Company Ltd. *(Note 3)*	Beneficial interest	175,679,100	14.20%

Notes:

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

Save as disclosed above, as at 31 March 2013, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end or any time during the year ended 31 March 2013.

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 22 to 23 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 24 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 shares during the year ended 31 March 2013 and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 March 2013.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 March 2013 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

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 Hoi Chau
Chairman

Hong Kong, 21 June 2013

Corporate Governance Report

Corporate Governance Practices

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

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

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 March 2013.

BOARD OF DIRECTORS

Composition

As at 31 March 2013, the Board comprised two executive Directors and three independent non-executive Directors. The composition of the Board during the year ended 31 March 2013 and up to the date of this report are as follows:

Executive Directors

Mr. Tse Hoi Chau (appointed as Chairman and Chief Executive on 10 December 2012 and on 21 June 2013 respectively)
Ms. Yip Ying Kam (Vice-Chairman and Chief Operational Officer, appointed and resigned as Chief Executive on 14 August 2012 and 21 June 2013 respectively)
Mr. Tse Chiu Kwan (re-designed as Non-executive Chairman and Non-executive Director on 14 August 2012, resigned as Non-executive Director and re-designated as Honorary Chairman on 10 December 2012)

Independent Non-executive Directors

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

The biographical details of all current Directors are set out on pages 26 to 27 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 regularly throughout the year ended 31 March 2013. 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 CG Code and disclosure in this report.

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

During the year ended 31 March 2013 and up to date of this report, the corporate governance duties performed by the Board were mainly set out below:

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

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

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

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

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

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

Throughout the year ended 31 March 2013, 19 Board meetings and 1 annual general meeting were held. Details of the attendance of Directors are as follows:

Name of the Directors	Number of Board meetings attended/held	Number of annual general meeting attended/held
Executive Directors		
Mr. Tse Hoi Chau (appointed as Chairman and Chief Executive on 10 December 2012 and on 21 June 2013 respectively)	4/4	N/A
Ms. Yip Ying Kam (Vice-Chairman and Chief Operational Officer, appointed and resigned as Chief Executive on 14 August 2012 and 21 June 2013 respectively)	19/19	1/1
Mr. Tse Chiu Kwan (re-designated as Non-executive Chairman and Non-executive Director on 14 August 2012 and resigned as Non-executive Director and re-designated as Honorary Chairman on 10 December 2012)	6/15	0/1
Independent Non-executive Directors		
Mr. Lau Fai Lawrence	17/19	1/1
Mr. Lau Yiu Kit	19/19	1/1
Mr. Chan Shu Hung, Joseph (appointed on 29 June 2012)	16/16	1/1
Mr. Fan William Chung Yue (resigned on 8 May 2012)	N/A	N/A

Directors' Appointment, Re-election and Removal

Mr. Tse Hoi Chau ("Mr. Tse") entered into a service contract with the Company commencing from 10 December 2012 to 28 June 2015 and which may be terminated by either party giving to the other not less than 3 months' prior notice in writing. In connection with the appointment as the chief executive of the Company, Mr. Tse has entered into a new contract with the Company commencing from 21 June 2013 to 28 June 2015 and which may be terminated by either party giving to the other not less than 3 months' prior notice in writing. Mr. Tse is entitled to a monthly salary of HK$680,000 (on a 13-month basis and, in aggregate, HK$8,840,000 per year) and a monthly housing allowance of HK$102,300.

Ms. Yip Ying Kam ("Ms. Yip"), being the current vice-chairman and chief operational officer of the Company, was further appointed and resigned as Chief Executive on 14 August 2012 and 21 June 2013 respectively. She entered into a new service contract with the Company to reflect her new role with effect from 21 June 2013. The new service contract of Ms. Yip with the Company is for a period commencing from 21 June 2013 to 28 June 2015 and may be terminated after the first year of appointment by either party giving to the other not less than 3 months' prior notice in writing. Ms. Yip is entitled to a monthly salary of HK$450,000 (on a 13-month basis, and in aggregate, HK$5,850,000 per year) and a monthly housing allowance of HK$102,300.

BOARD OF DIRECTORS (continued)

Directors' Appointment, Re-election and Removal (continued)

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

Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, 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. Chan Shu Hung, Joseph, an independent non-executive Director, has entered into a new letter of appointment with the Company on 21 June 2013 (commencing from 28 June 2013 to 28 June 2015), subject also to termination by either party giving the other not less than 3 months' prior written notice or such shorter period as both parties may agree.

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

Independent Non-executive Directors

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 ended 31 March 2013. The Company, based on such confirmation, considers all independent non-executive directors during the year ended 31 March 2013 are independent.

BOARD OF DIRECTORS (continued)

Chairman and Chief Executive

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 April 2012 to 13 August 2012, the roles of chairman and chief executive officer of the Company were performed by Mr. Tse Chiu Kwan. Mr. Tse Chiu Kwan is one of the founders of the Group and possesses rich knowledge and experience of the jewellery industry and the related industries, the Board believes that vesting the roles of the chairman and chief executive in Mr. Tse Chiu Kwan provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders of the Company. On 14 August 2012, Ms. Yip Ying Kam is confirmed as the chief executive of the Company while Mr. Tse Chiu Kwan is re-designated as non-executive chairman and non-executive director of the Company, which allows a segregation of the roles of chairman and chief executive of the Company in accordance with the CG Code.

On 10 December 2012, Mr. Tse Hoi Chau was appointed as the chairman of the Company with Ms. Yip Ying Kam continued to act as the chief executive of the Company, further allowing a segregation of the roles of chairman and chief executive of the Company from 10 December 2012 to the end of the financial year ended 31 March 2013.

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

Delegation of Powers

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

Continuous Professional Development

All Directors receive an induction on their appointments to ensure adequate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. All Directors are committed to comply with Code Provision A.6.5 of the CG Code which came into effect on 1 April 2012 on Directors' training and provided a record of training they received for the year ended 31 March 2013 to the Company.

BOARD OF DIRECTORS (continued)

Continuous Professional Development (continued)

During the year ended 31 March 2013, the Company has arranged training sessions for the directors of the Company 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.

The individual training record of each Director received for the year ended 31 March 2013 is summarised below:

Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Tse Hoi Chau	B
Ms. Yip Ying Kam	A, B
Independent Non-Executive Directors	
Mr. Lau Fai Lawrence	A, B
Mr. Lau Yiu Kit	A, B
Mr. Chan Shu Hung, Joseph	A, B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

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. Up to the date of this annual report, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Mr. Lau Yiu Kit and Mr. Chan Shu Hung, Joseph.

BOARD COMMITTEES (continued)

Audit Committee (continued)

Composition (continued)

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

During the year ended 31 March 2013, 4 Audit Committee meetings were held. Details of the members' attendance of the Audit Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	4/4
Mr. Lau Yiu Kit	4/4
Mr. Chan Shu Hung, Joseph (appointed on 29 June 2012)	2/2
Mr. Fan William Chung Yue (resigned on 8 May 2012)	N/A

For the year ended 31 March 2013, the Audit Committee has held meetings with the Company's auditor, Mazars CPA Limited, to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2013 and the interim financial report for the six months ended 30 September 2012, including the accounting principles and practice adopted by the Group.

Remuneration Committee

Composition

The remuneration committee of the Company (the "Remuneration Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. As at 31 March 2013, the Remuneration Committee comprised four members, namely Mr. Chan Shu Hung, Joseph (Chairman) (appointed on 29 June 2012), Mr. Tse Hoi Chau, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the majority of which are independent non-executive Directors.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

Composition (continued)

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

During the year ended 31 March 2013, 3 Remuneration Committee meetings were held and details of the members' attendance of the Remuneration Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Chan Shu Hung, Joseph (Chairman) (appointed on 29 June 2012)	2/2
Mr. Tse Hoi Chau (appointed on 10 December 2012)	N/A
Mr. Lau Fai Lawrence	3/3
Mr. Lau Yiu Kit	3/3
Mr. Tse Chiu Kwan (resigned on 10 December 2012)	1/3
Mr. Fan William Chung Yue (Chairman) (resigned on 8 May 2012)	N/A

For the year ended 31 March 2013, the Remuneration Committee reviewed the remuneration packages of all Directors and senior management and determined the remuneration of the newly appointed Directors.

Remuneration Policy for Directors and Senior Management

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

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

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

BOARD COMMITTEES (continued)

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 2013, the Nomination Committee comprised four members, namely Mr. Lau Fai Lawrence (Chairman), Mr. Tse Hoi Chau, Mr. Lau Yiu Kit and Mr. Chan Shu Hung, Joseph, 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.

During the year ended 31 March 2013, 3 Nomination Committee meetings were held and details of the members' attendance of the Nomination Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Lau Fai Lawrence (Chairman)	3/3
Mr. Tse Hoi Chau (appointed on 10 December 2012)	N/A
Mr. Lau Yiu Kit	3/3
Mr. Chan Shu Hung, Joseph (appointed on 29 June 2012)	1/1
Mr. Tse Chiu Kwan (resigned on 10 December 2012)	1/3
Mr. Fan William Chung Yue (resigned on 8 May 2012)	N/A

For the year ended 31 March 2013, the Nomination Committee reviewed the composition, size and structure of the Board and determined the appointment of the Directors and senior management of the Company.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2013, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibility of the external auditor of the Company on the financial statements of the Company for the year ended 31 March 2013 are set out in the Independent Auditor's Report.

ACCOUNTABILITY AND AUDIT (continued)

Auditor's Remuneration

During the year ended 31 March 2013, 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	2,130
Non-audit services	100
Total	2,230

INTERNAL CONTROL

The Company has prepared an internal control report, covering all material controls, including financial and operation for the year ended 31 March 2013. 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 it reports 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 also carries out assessment in relation to the establishment of new company or entity and new products of the Group.

The Company has appointed Guangdong Securities Limited to be the Compliance Adviser from 5 September 2011 to 5 September 2013.

INVESTORS AND SHAREHOLDERS RELATIONS

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

There was no significant change in the Company's constitutional documents for the year ended 31 March 2013.

INVESTORS AND SHAREHOLDERS RELATIONS (continued)

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

Mr. Lo Wah Wai has resigned as company secretary of the Company (the "Company Secretary") and Mr. Cheung Yuk Chuen ("Mr. Cheung") has been appointed as the Company Secretary with effect from 28 November 2012. Mr. Cheung has taken no less than 15 hours of relevant professional training for the year ended 31 March 2013. Ms. Rachel Cham, the company secretarial assistant of the Company, remains as the primary corporate contact person of the Company.

Independent Auditor's Report

MAZARS

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 50 to 112, which comprise the consolidated and the Company's statements of financial position as at 31 March 2013, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of 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 2013, 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 21 June 2013

Chan Chi Wai
Practising Certificate number: P05708

Consolidated Income Statement

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Turnover	*6,7*	**191,218**	323,311
Cost of sales		**(147,388)**	(249,622)
Gross profit		**43,830**	73,689
Other revenue	*8*	**3,152**	2,985
Other net (loss) gain	*8*	**(755)**	7,555
Selling and distribution costs		**(78,633)**	(148,138)
Administrative expenses		**(54,883)**	(62,184)
Other operating expenses		**(9,980)**	(20,635)
Loss from operations		**(97,269)**	(146,728)
Finance costs	*9(a)*	**(1,630)**	(1,702)
Loss before taxation	*9*	**(98,899)**	(148,430)
Income tax (expense) credit	*10(a)*	**(10,129)**	4,139
Loss for the year		**(109,028)**	(144,291)
Attributable to:			
Owners of the Company		**(109,008)**	(143,342)
Non-controlling interests		**(20)**	(949)
Loss for the year		**(109,028)**	(144,291)
Loss per share (HK$)	*14*		
Basic		**(0.088)**	(0.116)
Diluted		**(0.088)**	(0.116)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

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

Consolidated Statement of Financial Position

As at 31 March 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Fixed assets	15		
— Property, plant and equipment		48,434	68,824
— Interests in leasehold land held for own use under operating leases		8,729	9,208
— Investment properties		17,558	8,306
Intangible assets	16	1,247	3,180
Rental deposits		1,254	3,093
Deferred tax assets	26	2,159	11,841
		79,381	104,452
Current assets			
Trading securities		—	4,891
Inventories	18	35,304	65,327
Trade and other receivables	19	51,075	69,070
Current tax recoverable		970	955
Cash and cash equivalents	20	52,456	96,163
		139,805	236,406
Current liabilities			
Trade and other payables	21	43,207	57,402
Bank loans	22	20,708	20,101
Obligations under finance leases	23	379	1,067
Current tax payable		2,328	1,428
		66,622	79,998
Net current assets		73,183	156,408
Total assets less current liabilities		152,564	260,860
Non-current liabilities			
Obligations under finance leases	23	288	81
Deferred tax liabilities	26	425	607
		713	688
NET ASSETS		151,851	260,172

	Note	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	*27*	**123,732**	123,732
Reserves	*28*	**27,857**	135,948
Total capital and reserves attributable to owners of the Company		**151,589**	259,680
Non-controlling interests		**262**	492
TOTAL EQUITY		**151,851**	260,172

Approved and authorised for issue by the Board of Directors on 21 June 2013

Tse Hoi Chau
Director

Yip Ying Kam
Director

Statement of Financial Position

As at 31 March 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	*17*	**160,678**	262,208
Current assets			
Trading securities		**—**	3,568
Other receivables	*19*	**—**	5,260
Cash and cash equivalents	*20*	**1,215**	14,064
		1,215	22,892
Current liabilities			
Other payables	*21*	**23,770**	24,979
Net current liabilities		**(22,555)**	(2,087)
NET ASSETS		**138,123**	260,121
CAPITAL AND RESERVES			
Share capital	*27*	**123,732**	123,732
Reserves	*28*	**14,391**	136,389
TOTAL EQUITY		**138,123**	260,121

Approved and authorised for issue by the Board of Directors on 21 June 2013

Tse Hoi Chau
Director

Yip Ying Kam
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Other Reserves**	**Translation reserve**	**PRC statutory reserves**	**Share-based capital reserve**	**Accumulated losses**	**Total capital and reserves**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011	123,732	549,974	(19,518)	27,692	21,755	22,096	(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	(19,518)	35,808	21,755	610	(452,681)	259,680	492	260,172
At 1 April 2012	**123,732**	**549,974**	**(19,518)**	**35,808**	**21,755**	**610**	**(452,681)**	**259,680**	**492**	**260,172**
Loss for the year	—	—	—	—	—	—	**(109,008)**	**(109,008)**	**(20)**	**(109,028)**
Other comprehensive income										
Exchange differences on consolidation	—	—	—	**1,314**	—	—	—	**1,314**	—	**1,314**
Total comprehensive income for the year	—	—	—	**1,314**	—	—	**(109,008)**	**(107,694)**	**(20)**	**(107,714)**
Transactions with owners of the Company										
Equity-settled share-based transactions	—	—	—	—	—	**268**	—	**268**	—	**268**
Step acquisition of a subsidiary	—	—	**(665)**	—	—	—	—	**(665)**	**(210)**	**(875)**
Total transactions with owners of the Company	—	—	**(665)**	—	—	**268**	—	**(397)**	**(210)**	**(607)**
At 31 March 2013	**123,732**	**549,974**	**(20,183)**	**37,122**	**21,755**	**878**	**(561,689)**	**151,589**	**262**	**151,851**

Consolidated Statement of Cash Flows

For the year ended 31 March 2013
(Expressed in Hong Kong dollars)

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	29	**(47,726)**	(23,870)
Tax paid			
— Hong Kong Profits Tax paid		**(156)**	(635)
— the People's Republic of China ("PRC") enterprise income tax refunded (paid)		**437**	(464)
Net cash used in operating activities		**(47,445)**	(24,969)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		**(1,243)**	(11,354)
Payment for the purchase of investment properties		**—**	(8,479)
Proceeds from disposal of property, plant and equipment		**580**	267
Interest received		**2,214**	523
Dividend received		**—**	47
Payment for step acquisition of a subsidiary		**(500)**	—
Payment for purchase of trading securities		**—**	(148,619)
Proceeds from sale of trading securities		**4,427**	163,037
Payment for purchase of intangible assets		**(160)**	(201)
Net cash generated from (used in) investing activities		**5,318**	(4,779)
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(1,091)**	(1,340)
Repayment of borrowings		**(26,103)**	(4,413)
Proceeds from borrowings		**26,536**	—
Interest element of finance lease rentals paid		**(56)**	(160)
Other finance costs paid		**(1,574)**	(1,542)
Net cash used in financing activities		**(2,288)**	(7,455)
Net decrease in cash and cash equivalents		**(44,415)**	(37,203)
Cash and cash equivalents at beginning of the year		**96,163**	131,117
Effect of foreign exchange rate changes		**708**	2,249
Cash and cash equivalents at the end of the reporting period	20	**52,456**	96,163

Notes to the Financial Statements

For the year ended 31 March 2013
(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. The address of its principal place of business is Flat B1, 1/F, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the design, manufacture, retailing and distribution and concurrent design manufacturing ("CDM") of fashion accessories. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

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 (the "Listing Rules").

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

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

The measurement basis used in the preparation of the financial statements is historical cost.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

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 to the financial statements.

(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 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 instruments' 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Changes in ownership interest (continued)

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.

(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) 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 accumulated 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(j) to the financial statements. Investment properties are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, using straight-line method, after taking into account their estimated residual values. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss.

Under the cost model, when an item of property, plant and equipment becomes an investment property because its use has changed, transfer from property, plant and equipment to investment property do not change the carrying amount and the cost of the property transferred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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

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

(f) Intangible assets

Intangible assets including license fees and license right 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 accumulated 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.

(f) Intangible assets (continued)

Intangible assets including trademarks that 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.

(g) 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.

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, except that property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease. 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.

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. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(e) to the financial statements. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(l) to the financial statements. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (continued)

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.

(h) Financial instruments

Financial assets and financial liabilities are recognised when and only 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 and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) 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 when and 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.

Loans and receivables

Loans and receivables including trade receivables, cash and cash equivalents and rental deposits 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets 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 payables, wage and pension payables, accrued charges 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. The financial guarantee contracts of the Company represent the financial guarantees in respect of credit facilities issued to its subsidiaries. The fair values of the financial guarantees have not been recognised in the statement of financial position of the Company, as the estimation of the fair values of the financial guarantees would not be meaningful and practicable due to related party nature of the instruments.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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:

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.

Interest income

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

Licence fee

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

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.

(k) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether its fixed assets, intangible assets with finite useful lives and interests in subsidiaries 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.

(m) 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.

(n) Employee benefits

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.

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 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

Share-based payments transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to directors and employees is recognised as an employee cost with a corresponding increase in a share-based 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, other than conditions linked to the price of the shares of the Company. 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.

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 share-based 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 share-based 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 share-based 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) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Taxation (continued)

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 investment in subsidiaries, associates and jointly controlled entities, 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.

(p) 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.

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 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 or partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties (continued)

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.

(s) Segment reporting

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

(Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Future changes in HKFRSs

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 HKAS 1 (Revised)	*Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKFRS 10	*Consolidated financial statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosures of Interests in Other Entities* [2]
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	*Additional transition relief- Consolidated financial statements, Joint Arrangements, Disclosures of Interests in Other Entities* [2]
HKFRS 13	*Fair Value Measurement* [2]
Amendments to HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards* [2]
HK(IFRIC) — Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Various HKFRSs	*Annual Improvements Project — 2009–2011 Cycle* [2]
Amendments to HKFRS 7	*Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 32	*Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities — Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests in Other Entities* [3]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* [4]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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 standards and amendments to 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key source of estimation of uncertainty:

(a) Impairment of fixed assets and intangible assets

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

(b) Impairment of trade and other receivables

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Write-down of inventories

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

(d) Deferred tax assets

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

(e) Impairment of interests in subsidiaries

The Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

6. SEGMENT REPORTING

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

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

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

6. SEGMENT REPORTING (CONTINUED)

(a) Segment information

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is results before taxation and finance costs. Head office and corporate expenses are not allocated. The Group's most senior executive management is provided with segment information concerning segment revenue and profit.

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

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

6. SEGMENT REPORTING (CONTINUED)

(a) Segment information (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 2013 and 2012 is set out below.

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

6. SEGMENT REPORTING (CONTINUED)

(a) Segment information (continued)

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

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

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

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

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

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

7. TURNOVER

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

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

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

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

8. OTHER REVENUE AND NET (LOSS) GAIN

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

9. LOSS BEFORE TAXATION

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

		2013 HK$'000	2012 HK$'000
(a)	**Finance costs:**		
	Interest on interest-bearing borrowings wholly repayable within five years	1,574	1,542
	Finance charges on obligations under finance leases	56	160
		1,630	1,702
(b)	**Staff costs (included directors' remuneration):**		
	Salaries, wages and other benefits	80,171	96,271
	Equity-settled share-based payment expenses	268	1,776
	Contributions to defined contribution retirement plans	8,307	17,145
		88,746	115,192
(c)	**Other items:**		
	Depreciation		
	— Assets held under finance leases	714	746
	— Other assets	13,004	26,964
	Amortisation on intangible assets (included in selling and distribution expenses)	1,500	5,225
	Allowance for doubtful debts on trade receivables (included in other operating expenses) *(note 19(b))*	5,828	3,150
	Impairment loss (included in other operating expenses)		
	— Trade and other receivables	431	5,103
	— Intangible assets	593	6,616
	Equity-settled share-based payment expenses		
	— Directors and employees (included in staff costs)	268	1,776
	— Advisors and consultants	—	558
	Auditor's remuneration		
	— Current year	2,130	2,230
	— Under-provision in prior year	—	439
	Operating lease charges in respect of properties		
	— Minimum lease payments	23,762	36,946
	— Contingent rent	4,125	10,279
	— Directors' quarters (included in staff costs)	2,000	2,436
	Rental receivables from investment properties less direct outgoing of HK$Nil (2012: HK$Nil)	(511)	(247)
	Cost of inventories#	147,388	249,622

Cost of inventories includes HK$39,530,000 (2012: HK$47,249,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

10. INCOME TAX EXPENSE (CREDIT)

(a) Taxation in the consolidated income statement represents:

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

Notes:

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

(ii) Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the Group entities' estimated assessable profits arising from Hong Kong during the year.

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

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

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

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

10. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Loss before taxation	**(98,899)**	(148,430)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	**(23,462)**	(32,754)
Tax effect of non-deductible expenses	**10,473**	6,356
Tax effect of non-taxable income	**(1,531)**	(4,634)
Unrecognised temporary difference	**4,050**	1,179
Write-down of deferred tax assets on temporary differences previously recognised	**7,729**	—
Utilisation of previously unrecognised temporary differences	**(3,531)**	—
Tax effect of unused tax losses not recognised	**17,450**	21,395
Tax effect of utilisation of tax losses not recognised in prior years	**(2,807)**	(1,220)
Write-down of deferred tax assets on tax losses previously recognised	**—**	5,099
Under (Over) provision in respect of prior years	**88**	(598)
Others	**1,670**	1,038
Income tax expense (credit)	**10,129**	(4,139)

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	2013 Total HK$'000
Executive directors							
Tse Hoi Chau *(note (i))*	—	1,866	—	3	1,869	—	1,869
Yip Ying Kam	—	8,010	—	15	8,025	268	8,293
Tse Chiu Kwan *(note (ii))*	—	3,786	—	5	3,791	—	3,791
Non-executive director							
Tse Chiu Kwan *(note (ii))*	—	2,054	—	5	2,059	—	2,059
Independent non-executive directors							
Lau Fai Lawrence	505	—	—	—	505	—	505
Lau Yiu Kit	459	—	—	—	459	—	459
Chan Shu Hung, Joseph *(note (iii))*	300	—	—	—	300	—	300
Fan William Chung Yue *(note (iv))*	33	—	—	—	33	—	33
	1,297	15,716	—	28	17,041	268	17,309

	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	2012 Total HK$'000
Executive directors							
Tse Chiu Kwan	—	10,913	—	12	10,925	191	11,116
Yip Ying Kam *(note (v))*	—	150	—	1	151	610	761
Lin Shao Hua *(note (vi))*	—	655	—	—	655	485	1,140
Lau Yau Chuen, Louis *(note (vii))*	—	636	—	4	640	—	640
Non-executive director							
Yip Ying Kam *(note (v))*	—	1,800	—	11	1,811	470	2,281
Independent non-executive directors							
Lau Fai Lawrence	344	—	—	—	344	10	354
Fan William Chung Yue *(note (iv))*	279	—	—	—	279	10	289
Lau Yiu Kit	216	—	—	—	216	—	216
	839	14,154	—	28	15,021	1,776	16,797

11. DIRECTORS' REMUNERATION (CONTINUED)

Note:

(i) Mr. Tse Hoi Chau was appointed as executive director on 10 December 2012.

(ii) Mr. Tse Chiu Kwan was re-designated from executive director to non-executive director on 14 August 2012, and was resigned from the non-executive director on 10 December 2012.

(iii) Mr. Chan Shu Hung, Joseph was appointed as independent non-executive director on 29 June 2012.

(iv) Mr. Fan William Chung Yue was resigned as independent non-executive director on 8 May 2012.

(v) Ms. Yip Ying Kam was re-designated as executive director on 23 February 2012.

(vi) Mr. Lin Shao Hua was resigned on 31 October 2011.

(vii) Mr. Lau Yau Chuen, Louis was resigned on 18 July 2011.

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 2013 and 2012.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2012: four) are directors whose emoluments are disclosed in note 11 to the financial statements. The emoluments in respect of the other two (2012: one) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other emoluments	**1,293**	554
Retirement scheme contributions	**25**	12
	1,318	566

The emoluments of the two (2012: one) individuals with the highest emoluments are within the following band:

	2013 Number of individuals	2012 Number of individuals
HK$500,001–HK$1,000,000	**2**	1

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

No individuals have waived emoluments in respect of the years ended 31 March 2013 and 31 March 2012.

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$122,266,000 (2012: loss of HK$135,838,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

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

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

15. FIXED ASSETS

	The Group									
	Property, plant and equipment									
	Buildings	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Plant and machinery	Sub-total	Interests in leasehold land held for own use under operating leases	Investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At cost:										
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	460	40	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	13,508	8,519	162,182
At 1 April 2012	**45,271**	**18,289**	**36,800**	**8,610**	**12,549**	**18,636**	**140,155**	**13,508**	**8,519**	**162,182**
Exchange adjustments	**395**	**80**	**370**	**87**	**57**	**206**	**1,195**	**157**	**100**	**1,452**
Additions	**—**	**873**	**27**	**—**	**688**	**265**	**1,853**	**—**	**—**	**1,853**
Transfer to investment properties	**(11,211)**	**—**	**—**	**—**	**—**	**—**	**(11,211)**	**—**	**11,211**	**—**
Disposals	**—**	**(7,358)**	**(2,570)**	**(147)**	**(262)**	**(228)**	**(10,565)**	**—**	**—**	**(10,565)**
At 31 March 2013	**34,455**	**11,884**	**34,627**	**8,550**	**13,032**	**18,879**	**121,427**	**13,665**	**19,830**	**154,922**
Accumulated amortisation, depreciation and impairment losses:										
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	130	2	1,878
Charge for the year	2,002	14,116	5,595	1,249	1,797	2,077	26,836	663	211	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	4,300	213	75,844
At 1 April 2012	**8,660**	**14,436**	**28,741**	**4,169**	**7,484**	**7,841**	**71,331**	**4,300**	**213**	**75,844**
Exchange adjustments	**70**	**77**	**297**	**44**	**38**	**92**	**618**	**54**	**5**	**677**
Charge for the year	**2,115**	**3,310**	**2,435**	**1,204**	**1,760**	**1,884**	**12,708**	**582**	**428**	**13,718**
Transfer to investment properties	**(1,626)**	**—**	**—**	**—**	**—**	**—**	**(1,626)**	**—**	**1,626**	**—**
Written back on disposals	**—**	**(7,329)**	**(2,239)**	**(128)**	**(199)**	**(143)**	**(10,038)**	**—**	**—**	**(10,038)**
At 31 March 2013	**9,219**	**10,494**	**29,234**	**5,289**	**9,083**	**9,674**	**72,993**	**4,936**	**2,272**	**80,201**
Net carrying amount:										
At 31 March 2013	**25,236**	**1,390**	**5,393**	**3,261**	**3,949**	**9,205**	**48,434**	**8,729**	**17,558**	**74,721**
At 31 March 2012	36,611	3,853	8,059	4,441	5,065	10,795	68,824	9,208	8,306	86,338

15. FIXED ASSETS (CONTINUED)

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Medium term leases		
— in Hong Kong	**7,363**	7,693
— outside Hong Kong	**44,160**	46,432
	51,523	54,125
Representing:		
Buildings	**25,236**	36,611
Interests in leasehold land held for own use under operating leases	**8,729**	9,208
Investment properties carried at cost	**17,558**	8,306
	51,523	54,125

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

During the year ended 31 March 2013, the Group acquired a motor vehicle with cost of HK$688,000 (2012:HK$Nil) which was financed by a new finance lease amounted to HK$610,000 (2012: HK$Nil). At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was HK$1,937,067 (2012: HK$2,293,000). These assets are charged to secure the Group's obligations under finance leases. For details, please refer to note 23 to the financial statements.

(c) Fixed assets pledged for bank borrowings and other facilities

At the end of the reporting period, certain of the Group's properties with net book value of HK$17,221,000 (2012: HK$26,395,000) were pledged as security for certain bank borrowings and facilities granted to the Group. For details, please refer to note 22 to the financial statements.

(d) Investment properties

The fair value of the investment properties at the end of the reporting period were HK$32,848,000 (2012: HK$8,751,000) which were valued by an independent professional valuers based on direct comparison approach.

During the year ended 31 March 2013, property, plant and equipment with cost and accumulated depreciation amounted to HK$11,211,000 and HK$1,626,000 respectively were transferred to investment properties when there were commencement of operating leases to third parties.

16. INTANGIBLE ASSETS

	The Group			
	Licence fees	Trademarks	Licence right	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
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
At 1 April 2012	**608**	**1,680**	**14,048**	**16,336**
Addition	**—**	**160**	**—**	**160**
Written off	**(608)**	**—**	**—**	**(608)**
At 31 March 2013	**—**	**1,840**	**14,048**	**15,888**
Accumulated amortisation and impairment losses:				
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
At 1 April 2012	**608**	**—**	**12,548**	**13,156**
Charge for the year	**—**	**—**	**1,500**	**1,500**
Written off	**(608)**	**—**	**—**	**(608)**
Impairment loss	**—**	**593**	**—**	**593**
At 31 March 2013	**—**	**593**	**14,048**	**14,641**
Net carrying amount:				
At 31 March 2013	**—**	**1,247**	**—**	**1,247**
At 31 March 2012	—	1,680	1,500	3,180

16. INTANGIBLE ASSETS (CONTINUED)

The licence fees represent the fee paid for using certain trademark of third parties. Licence fees with cost and accumulated amortisation of HK$608,000 respectively were written off upon termination of licence contracts.

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. As at 31 March 2013, the trademarks were tested for impairment and as a result an impairment loss of HK$593,000 was recognised during the reporting period.

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.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**153,424**	153,424
Fair value of share options granted to employees of subsidiaries	**10,461**	10,461
Less: Impairment losses	**(9,950)**	(9,950)
	153,935	153,935
Amounts due from subsidiaries	**585,931**	573,597
Less: Impairment losses	**(579,188)**	(465,324)
	160,678	262,208

During the year, a number of the Company's subsidiaries sustained losses and had net liabilities as at 31 March 2013. The Company assessed the recoverable amounts of the subsidiaries and as a result an impairment losses on the interests in subsidiaries of HK$113,864,000 (2012: HK$120,274,000) was recognised during the reporting period to write down the carrying amounts to estimated recoverable amounts. The estimated recoverable amounts were determined based on the estimated future cash flows to be generated from these subsidiaries.

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.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

(Expressed in Hong Kong dollars)

17. 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 of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Artini International Company Limited	Hong Kong	Hong Kong	—	100	300,000 shares of HK$1 each	Retailing of fashion accessories
Artini Sales Company Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire Gifts & Premium Mfy. Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire International Group Company Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Investment holding
Artist Empire Jewellery Enterprise Company Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Mfy. Limited	Hong Kong	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories
Artist Empire (Hai Feng) Jewellery Mfy. Limited *(note 1)*	PRC	PRC	—	100	HK$102,600,000	Manufacturing and sale of fashion accessories
Artist Star International Development Limited	BVI	Hong Kong	100	—	1,000 shares of US$1 each	Investment holding
Artplus Investment Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Trading of fashion accessories
Arts Empire Macao Commercial Offshore Limited	Macao	Macao	—	100	MOP 200,000	Trading of fashion accessories and related raw materials
Bo-Wealth (Shenzhen) Trading Co. Ltd. *(note 1)*	PRC	PRC	—	100	HK$1,500,000	Trading of Fashion accessories
Elili Int'l Company Limited	Hong Kong	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
Gain Trade Enterprise Limited	Hong Kong	Hong Kong	—	100	100 shares of HK$1 each	Investment holding
Glamm International Trading (Dalian) Co., Ltd. *(note 1)*	PRC	PRC	—	100	HK$1,000,000	Trading of fashion accessories
Gentleman Investments Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Investment holding
Instar International Company Limited	BVI	Hong Kong	—	100	100 shares of US$1 each	Investment holding
Keon Company Limited	Hong Kong	Hong Kong	—	100	10,000 shares of HK$1 each	Provision of logistics services
King Land Limited	Hong Kong	Hong Kong	—	100	100 shares of HK$1 each	Trading of fashion accessories and related raw materials
Q'ggle Company Limited	Hong Kong	Hong Kong	—	100	100 shares of HK$1 each	Investment holding
Q'ggle Lingerie Company Limited	Hong Kong	Hong Kong	—	84.97	7,500,000 shares of HK$1 each	Retailing of lingerie products
Shenzhen Artini Hongli Enterprises Co., Ltd. (formerly named Shenzhen Artini Fashion Accessories Co., Ltd.) *(note 1)*	PRC	PRC	—	100	HK$200,000,000	Retailing of fashion accessories
TCK Company Limited	BVI	Hong Kong	—	100	100 shares of US$1 each	Trading of fashion accessories and related raw materials
Techjoy Limited	BVI	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.

18. INVENTORIES

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Raw material	**11,907**	14,020
Work in progress	**13,091**	17,834
Finished goods	**10,306**	33,473
	35,304	65,327

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount of inventories sold	**128,693**	240,367
Write-down of inventories	**18,695**	9,255
	147,388	249,622

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**26,931**	46,682	**—**	—
Less: Allowance for doubtful debts *(note 19(b))*	**(6,348)**	(12,902)	**—**	—
	20,583	33,780	**—**	—
Rental deposits	**6,864**	12,385	**—**	—
Prepayment for purchase of raw materials and finished goods	**18,919**	11,398	**—**	—
Prepayment for advertising service	**—**	834	**—**	—
Deposits for acquisition of business	**—**	5,260	**—**	5,260
Other prepayments and receivables	**4,709**	5,413	**—**	—
	51,075	69,070	**—**	5,260

(a) Ageing analysis

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

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

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

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

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

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

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

(b) Impairment of trade receivables

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

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

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

At the end of the reporting period, the Group made specific allowance for doubtful debts for trade receivables which were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the prospect of recovery of the receivables was remote.

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

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Deposits with banks and other financial institutions	201	200	—	—
Cash at bank and in hand	52,255	95,963	1,215	14,064
	52,456	96,163	1,215	14,064

Included in cash and cash equivalents in the consolidated statement of financial position were amounts denominated in Renminbi of approximately HK$39,330,000 (2012: HK$60,705,000). 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.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables *(note 21(a))*	6,819	13,931	—	—
Receipts in advance	7,944	11,036	—	—
Value added tax and other tax payables	2,950	1,552	—	—
Wage and pension payables	13,064	14,962	—	—
Accrued charges and other payables	12,430	15,921	2,217	2,480
Amount due to a subsidiary *(note 21(b))*	—	—	21,553	22,499
	43,207	57,402	23,770	24,979

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

21. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

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

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

(b) Amount due to a subsidiary

The amount due is unsecured, interest-free and repayable on demand.

22. BANK LOANS AND OTHER FACILITIES

(a) Bank loans

At the end of the reporting period, all bank loans of the Group, which were denominated in Renminbi, were secured by pledging a property with carrying value of HK$13,272,000 (2012: HK$22,304,000), carries interest at the range of 110% to 115% of China's benchmark interest rate per annum and are repayable within five years after the draw-down dates. At the end of reporting period, interest rates charged ranging from 6.7650% to 7.0725% per annum (2012: 7.315%). As the loans contain a clause in their terms that gives the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it is classified as current liabilities even though the directors do not expect that the bank would exercise their rights to demand repayment.

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

	2013	2012
	HK$'000	HK$'000
Within 1 year	**13,764**	9,928
After 1 year but within 2 years	**4,166**	10,173
After 2 years but within 5 years	**2,778**	—
	20,708	20,101

22. BANK LOANS AND OTHER FACILITIES (CONTINUED)

(b) Other facilities

Apart from the bank loans, the Group has also obtained general banking facilities which are secured by legal charge over certain of its property with carrying value of HK$3,949,000 (2012: HK$4,091,000) and cross corporate guarantee within the Group. At the end of the reporting period, the general banking facilities available to the Group amounted to HK$219,000 (2012: HK$503,000), which were utilised by the Group to the extent of HK$179,000 (2012: HK$463,000) for bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

23. OBLIGATIONS UNDER FINANCE LEASES

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

	The Group			
	2013		2012	
	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	**379**	**405**	1,067	1,120
After 1 year but within 2 years	**288**	**296**	81	82
	667	**701**	1,148	1,202
Less: Total future interest expenses		**(34)**		(54)
		667		1,148

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets as set out in note 15(b) to the financial statements.

24. 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 HK$25,000 effective from 1 June 2012 (Prior to 1 June 2012: HK$20,000). Contributions to the plan vest immediately.

24. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

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.

25. 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 HK$5 million must be approved in advance by the Company's shareholders.

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

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.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

	Number of options	Exercise price HK$	Exercise period
Options granted to a director on:			
— 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
Total share options existed during the year	12,000,000		

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

	2013 Weighted average exercise price HK$'000	**Number of options**	2012 Weighted average exercise price HK$'000	Number of options
Outstanding at the beginning of the year	**0.222**	**12,000,000**	0.848	77,510,000
Granted during the year	**—**	**—**	0.222	12,000,000
Lapsed during the year	**—**	**—**	(0.848)	(77,510,000)
Outstanding at the end of the year	**0.222**	**12,000,000**	0.222	12,000,000
Exercisable at the end of the year	**0.222**	**6,000,000**	0.222	6,000,000

No share options were exercised during the years ended 31 March 2013 and 31 March 2012.

The options outstanding at 31 March 2013 had an exercise price of HK$0.222 (2012: HK$0.222) and a weighted average remaining contractual life of 4.9 years (2012: 5.9 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.

(Expressed in Hong Kong dollars)

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

Tranche	Exercise period	Exercise price HK$	2013 Number of options	2012 Number of options
H	24 February 2012 to 23 February 2015	0.222	6,000,000	6,000,000
I	24 February 2015 to 23 February 2018	0.222	6,000,000	6,000,000
			12,000,000	12,000,000

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

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

	Share Option Scheme	
Granted on	24 February 2012	24 February 2012
Tranche	H	I
Fair value per share option at measurement date	$0.098	$0.134
Share price	$0.222	$0.222
Exercise price	$0.222	$0.222
Expected volatility	69.56%	71.76%
Expected option period	3 years	6 years
Risk-free rate (based on Hong Kong Exchange Fund Notes)	0.350%	0.790%
Expected dividend yield	0%	0%

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

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

During the year, HK$268,000 (2012: HK$2,334,000) was charged to profit or loss in respect of equity-settled share-based transactions.

26. 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**	**Depreciation allowances in excess of the related depreciation**	**Unrealised gains/losses and provision on inventories**	**Impairment loss for bad and doubtful debts**	**Revaluation of intangible assets arising from business combination**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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)
At 1 April 2012	—	42	(10,105)	(1,546)	375	(11,234)
Charged (credited) to profit or loss	—	(49)	8,378	1,568	(375)	9,522
Exchange adjustments	—	—	—	(22)	—	(22)
At 31 March 2013	—	(7)	(1,727)	—	—	(1,734)

	The Group	
	2013	2012
	HK$'000	HK$'000
Representing:		
Net deferred tax assets recognised on the consolidated statement of financial position	**(2,159)**	(11,841)
Net deferred tax liabilities recognised on the consolidated statement of financial position	**425**	607
	(1,734)	(11,234)

Included in the deferred tax expense recognised in profit or loss of HK$9,522,000 (2012: deferred tax income of HK$4,385,000) during the reporting period, deferred tax assets on unrealised gains/losses and provision on inventories of HK$7,729,000 (2012: tax losses previously recognised of HK$5,099,000) have been written down after considering continuing operating at loss of retailing and distribution segment in accordance with the accounting policy adopted for deferred tax assets in note 3(o) to the financial statements.

26. DEFERRED TAXATION (CONTINUED)

The Group has not recognised deferred tax assets in respect of tax losses of HK$362,721,000 (2012: HK$325,796,000) and deductible temporary differences of HK$48,888,000 (2012: HK$14,124,000) because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. The deductible temporary differences do not expire under current tax legislation. Included in the tax losses without deferred tax assets recognised is an amount of HK$104,439,000 (2012: HK$130,051,000) which have arisen in Hong Kong and have no expiry date. The remaining unrecognised tax losses of HK$258,282,000 (2012: HK$195,745,000) which can be carried forward for five years from the year in which the losses arose for offsetting against future taxable income. The expiry year of tax losses without deferred tax assets recognised at the end of the reporting date is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Tax loss expiring in		
2015	**59,073**	59,073
2016	**74,483**	74,396
2017	**62,465**	62,276
2018	**62,261**	—
	258,282	195,745

27. SHARE CAPITAL

	The Company			
	2013		2012	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'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 and the end of the 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.

28. 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 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)	23,820	2,334
At 31 March 2012	549,974	133,424	610	(547,619)	136,389
At 1 April 2012	**549,974**	**133,424**	**610**	**(547,619)**	**136,389**
Loss for the year	**—**	**—**	**—**	**(122,266)**	**(122,266)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(122,266)**	**(122,266)**
Transactions with owners of the Company					
Equity-settled share-based transactions	**—**	**—**	**268**	**—**	**268**
Total transactions with owners of the Company	**—**	**—**	**268**	**—**	**268**
At 31 March 2013	**549,974**	**133,424**	**878**	**(669,885)**	**14,391**

At the end of the reporting period, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$Nil (2012: HK$Nil).

No dividend has been paid or declared during each of the years ended 31 March 2013 and 2012. The directors do not recommend the payment of a final dividend for 2013 (2012: Nil).

28. RESERVES AND DIVIDENDS (CONTINUED)

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

(a) 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.

(b) 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.

(c) 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(p) to the financial statements.

(d) 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.

28. RESERVES AND DIVIDENDS (CONTINUED)

(d) PRC statutory reserves (continued)

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.

(e) 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 a director of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(n) to the financial statements.

(f) Other reserves

The other reserves comprises:

Restructuring reserve

The restructuring reserve of debit balance of HK$19,615,000 (2012: debit balance of HK$19,615,000) represent 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.

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 of HK$97,000 (2012: HK$97,000) at the end of reporting period is not distributable to equity holders.

Transactions with non-controlling interest reserve

Transactions with non-controlling interests reserve of debit balance of HK$665,000 (2012: HK$ Nil) has been set up and will be dealt with in accordance with the accounting policies adopted for the changes in the Group's ownership interest in a subsidiary which do not result in a change of control as set out in note 3(b) to the financial statements.

29. CASH USED IN OPERATIONS

	2013 HK$'000	2012 HK$'000
Loss before taxation	**(98,899)**	(148,430)
Depreciation	**13,718**	27,710
Finance costs	**1,630**	1,702
Interest income	**(2,214)**	(523)
Dividend income	**—**	(47)
Net gain on disposal of property, plant and equipment	**(53)**	(61)
Amortisation of intangible assets	**1,500**	5,225
Reversal of provision for onerous contracts	**—**	(1,988)
Allowance for doubtful debts on trade and other receivables	**5,828**	4,278
Write-down of inventories	**18,695**	9,255
Impairment loss on trade and other receivables	**431**	5,103
Impairment loss on goodwill	**—**	7,123
Impairment loss on intangible assets	**593**	6,616
Equity-settled share-based payment expenses	**268**	2,334
Net realised and unrealised losses of trading securities	**464**	5,091
Foreign exchange (gain) loss	**(632)**	133
Decrease in inventories	**11,671**	11,590
Decrease in trade and other receivables	**6,478**	35,402
(Decrease) increase in trade and other payables	**(14,701)**	2,486
Decrease in rental deposits	**7,497**	3,131
Cash used in operations	**(47,726)**	(23,870)

30. 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. At the end of the reporting period, the gearing ratio of the Group was 31% (2012: 24%). The Group had time deposits and cash balances as at 31 March 2013 amounting to HK$52,456,000 (2012: HK$96,163,000).

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

31. 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 receivables, cash and cash equivalents and rental deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables 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 26% (2012: 20%) and 60% (2012: 54%) of the total trade receivables 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 82% (2012: 99%) of the total amounts due from subsidiaries was originated 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.

The credit risk on bank balances is also limited because the Group mainly places the deposits in bank with high credit ranking and the management does not expect any losses from non-performance by banks.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19 to the financial statements.

(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.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

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 2013				
Trade payables	**6,819**	**—**	**6,819**	**6,819**
Wage and pension payables	**13,064**	**—**	**13,064**	**13,064**
Accrued charges and other payables	**12,430**	**—**	**12,430**	**12,430**
Obligations under finance leases	**405**	**296**	**701**	**667**
Bank loans	**21,939**	**—**	**21,939**	**20,708**
	54,657	**296**	**54,953**	**53,688**

	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 payables	13,931	—	13,931	13,931
Wage and pension payables	14,962	—	14,962	14,962
Accrued charges and other payables	15,921	—	15,921	15,921
Obligations under finance leases	1,120	82	1,202	1,148
Bank loans	21,572	—	21,572	20,101
	67,506	82	67,588	66,063

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

	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 2013				
Other payables	**23,770**	**—**	**23,770**	**23,770**
At 31 March 2012				
Other payables	24,979	—	24,979	24,979

As at the end of the reporting period, the Company has issued guarantee to a bank 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 (2012: Nil).

Based on the past history and expectations at the end of the reporting period, the directors do not consider it is 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.

The table that follows summarises the maturity analysis of a bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. 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 loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	The Group Maturity analysis — Bank loans subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March 2013	**14,582**	**4,522**	**2,851**	**21,955**	**20,708**
At 31 March 2012	11,398	11,217	—	22,615	20,101

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(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			
	2013		2012	
	Effective interest rate		Effective interest rate	
	%	**HK$'000**	%	HK$'000
Fixed rate borrowings:				
— Obligations under finance leases	**6.00**	**667**	14.61	1,148
Variable rate borrowings:				
— Bank loans	**7.07**	**20,708**	7.60	20,101
Total interest-bearing borrowings		**21,375**		21,249

(ii) Sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by HK$207,000 (2012: HK$201,000).

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.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(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)			
	2013		2012	
	United States dollars	**Renminbi**	United States dollars	Renminbi
Cash and cash equivalents	**4,031**	**—**	1,664	—
Trade receivables	**23,224**	**32**	27,069	1,022
Trade payables	**(52)**	**—**	(196)	—
Net exposure arising from recognised assets and liabilities	**27,203**	**32**	28,537	1,022

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

(e) Estimation of 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 2013 and 2012.

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

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.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Estimation of fair values (continued)

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.

32. COMMITMENTS

(a) At the end of the reporting period, the Group had the following capital commitments outstanding that are not provided for in the financial statements:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for:		
Expenditures on property, plant and equipment	**3,403**	3,364

(b) At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases on premises are payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**11,269**	24,110
After 1 year but within 5 years	**2,201**	6,830
	13,470	30,940

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.

32. COMMITMENTS (CONTINUED)

(c) At the end of the reporting period, 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:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**775**	2,022
After 1 year but within 5 years	**—**	776
	775	2,798

(d) The Group leases out all its investment properties under operating leases with average lease terms of 1 to 5 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**665**	310
After 1 year but within 5 years	**1,133**	—
	1,798	310

33. 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 to the financial statements, two of the highest paid employees as disclosed in note 12 to the financial statements, and other key management personnel, is as follows:

	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**18,518**	15,763
Contributions to defined contribution retirement plans	**58**	43
Equity-compensation benefits	**268**	1,776
	18,844	17,582

33. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel remuneration (continued)

Total remuneration is included in "staff costs" as set out in note 9(b) to the financial statements.

These related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 10 May 2012, the Group acquired an additional 11.67% of the issued shares of a subsidiary, Q'ggle Lingerie Company Limited, for a consideration of HK$875,000. The effective equity interest in the subsidiary increase from 73.30% to 84.97% was resulted. The changes in equity interest in the subsidiary that do not result in a change of control are accounted for as equity transactions (transactions with owners in their capacity as owners). The difference of HK$665,000 between the amount by which the non-controlling interests of HK$210,000 is adjusted and the fair value of the consideration paid of HK$875,000 is recognised directly in "Transactions with non-controlling interests reserve" within equity and attributed to the owners of the parent.