ARTINI

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 789)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016, together with comparative figures for the preceding financial year ended 31 March 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*3*	**46,907**	77,707
Cost of sales		**(45,335)**	(96,395)
Gross profit (loss)		**1,572**	(18,688)
Other income	*4*	**315**	486
Other gains and losses	*5*	**(6,992)**	(15,116)
Gains on disposals of property, plant and equipment		**70**	42,897
Losses on disposals of investment properties		**(3,613)**	–
Net gains on disposals of subsidiaries		**17**	39,312
Selling and distribution expenses		**(47,918)**	(97,796)
Administrative expenses		**(43,460)**	(39,919)
Finance costs	*6*	**(10)**	(2,148)
Loss before tax	*7*	**(100,019)**	(90,972)
Income tax expense	*9*	**(11)**	(18)
Loss for the year		**(100,030)**	(90,990)
Loss per share	*10*		
– Basic *(HK$)*		**(0.040)**	(0.080)
– Diluted *(HK$)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**885**	1,607
Investment properties		**–**	8,901
Intangible assets		**–**	–
Deferred tax assets		**–**	63
Deposits paid		**55,042**	–
		55,927	10,571
CURRENT ASSETS			
Inventories		**428**	3,515
Trade and other receivables	*11*	**39,503**	19,154
Cash and bank balances		**10,858**	122,822
		50,789	145,491
CURRENT LIABILITIES			
Trade and other payables	*12*	**48,745**	25,794
Tax liabilities		**101**	159
Obligations under finance lease – current portion		**160**	–
		49,006	25,953
NET CURRENT ASSETS		**1,783**	119,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,710**	130,109
NON-CURRENT LIABILITY			
Obligations under finance lease – non-current portion		**391**	–
NET ASSETS		**57,319**	130,109
CAPITAL AND RESERVES			
Share capital		**25,698**	24,746
Reserves		**31,621**	105,363
TOTAL EQUITY		**57,319**	130,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

Artini China Co. Ltd. (the "Company") was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981 and its shares are listed on The Stock Exchange of Hong Kong Limited.

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

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

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

Application of new and revised HKFRSs

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

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 Effective date to be determined and early application is permitted.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

HKFRS 16 Leases

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

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

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

Amendments to HKAS 1 Disclosure Initiative

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

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

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

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

(a) when the intangible asset is expressed as a measure of revenue; or
(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

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

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

The accounting option must be applied by category of investments.

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

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

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

Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

a. Revenue

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

b. Segment Information

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

Specifically, the Group's reportable and operating segments were as follows:

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

Segment revenue and results, assets and liabilities and other information

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

	Retailing and Distribution					
	Mainland China	Hong Kong	Sub-total	CDM Sales	Eliminations/ unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015						
Revenue						
External sales	5,524	2,588	8,112	69,595	–	77,707
Internal sales	–	–	–	1,783	(1,783)	–
Segment revenue	5,524	2,588	8,112	71,378	(1,783)	77,707
Results						
Segment results	(20,093)	(7,576)	(27,669)	(116,314)	–	(143,983)
Unallocated income						77,516
Unallocated expenses						(24,505)
Loss before tax						(90,972)

	Retailing and Distribution					
	Mainland China	Hong Kong	Sub-total	CDM Sales	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016						
Revenue						
Segment revenue						
– external sales	**949**	**–**	**949**	**45,958**	**–**	**46,907**
Results						
Segment results	**(7,444)**	**–**	**(7,444)**	**(61,444)**	**–**	**(68,888)**
Unallocated income						**385**
Unallocated expenses						**(31,516)**
Loss before tax						**(100,019)**

4. OTHER INCOME

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

5. OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

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

8. DIVIDENDS

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

9. INCOME TAX EXPENSE

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

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

Macao Complementary Tax is calculated at the maximum progressive rate of 12% (2015: 12%) on the estimated assessable profits arising from Macao for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (2015: 25%) for the year.

Artini Macao Commercial Offshore Limited (formerly known as Arts Empire Macao Commercial Offshore Limited) was established as a Macao offshore company under the Macao Offshore Law and is exempted from Macao Complementary Tax. No provision for Macao Complementary Tax and PRC EIT has been made in the consolidated financial statements as the relevant group entities incurred tax losses for the years ended 31 March 2016 and 31 March 2015.

10. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately HK$100,030,000 (2015: HK$90,990,000) and the weighted average of approximately 2,527,702,000 (2015: 1,142,403,000) ordinary shares of the Company in issue during the year.

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Retail Business

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

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

As at 31 March 2016, the number of VIP customers of "Artini" was approximately 141,000 (2015: approximately 140,000), representing an increase of approximately 1.0% over last year. The Group believed that loyal customers contributed a key portion of the Group's revenue. By analyzing the shopping habits of our VIP customers and thereby understanding their preferences, the Group has consistently developed new series of products and strategically organised promotional activities to raise brand awareness among its existing and potential customers.

Concurrent Design Manufacturing ("CDM") Business

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

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

Since the disposal of the manufacturing arms in December 2014, the Group did not incur any manufacturing fixed costs during the year. Hence, the performance of the CDM result improved and the losses in CDM decreased from approximately HK$116.3 million for the year ended 31 March 2015 to approximately HK$61.4 million for the year ended 31 March 2016.

Prospects

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

With the rapid development of electronic commerce in recent years, it brought the huge and profound influence to brick and mortar business. The internet is constantly permeates traditional industry, and blurring the divisions among each industries. The management of the company considers that the integration between traditional industry and e-commerce represent the general trend. Therefore, our group has been promoted the transformation of "Internet plus" innovation, and tried to seek suitable platforms, software companies, technical development personnel or other relative resources in the market, which enable our group deeply integrate to internet, and bring the high-tech and big data to the conventional fashion jewelry industry. The Group entered into a conditional sale and purchase agreement on 13 April 2016 to acquire a company that is principally engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services (the "Acquisition"). The Acquisition is currently pending completion which is subject to, among other things, approval by the independent shareholders of the Company at a special general meeting to be convened. The completion of the Acquisition is expected to bring synergy with the Group's existing business, such as enhancement on the platform for the Group's existing online sales, obtaining a better understanding on the customer's needs between both sides in our retail and internet sales and further development on smart jewellery accessories. The management believes that the new concept of the combination of "Internet +

Traditional accessories + Smart wearable + Big health + Big data" will be a broad prospective blue ocean in the future. We will continue to review our retail business model after completion of the Acquisition and will consider means to optimise deployment of resources as and when appropriate.

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

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

Financial Review

Turnover

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

CDM business

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

Retail business

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

Turnover by geographical distribution segments

Turnover of the Group was mainly derived from the PRC, the United Arab Emirates, Hong Kong and Macao, the European, the American and other markets, which accounted for 14.7%, 76.8%, 4.3%, 4.2%, 0% and 0% of the turnover respectively in 2016, compared to 12.2%, 0%, 8.2%, 62.9%, 11.4% and 5.3% in 2015.

Cost of sales

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

(Gross loss)/Gross profits

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

Operating expenses

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

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

The Group's administrative expenses primarily comprised fixed assets depreciation, staff costs including Directors and executives and professional fees paid during the year. During the year, the Company recognized share based payment expenses of HK$16,565,000 as a result of the share options granted during the year, compared to HK$ Nil for the year ended 31 March 2015. Excluding the share based payment, the administrative expenses decreased to HK$26,895,000, representing a 32.6% decrease compared to last year, mainly due to tightened cost control this year.

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

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

Gains on disposals of subsidiaries

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

Loss attributable to owners of the Company

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

Income tax

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

Loss per share

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

Dividend

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

Foreign exchange exposure

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

Significant Investments and Acquisitions

During the year, the Group did not have any significant investments or acquisitions of subsidiaries. The Group continued to seek opportunities to acquire and cooperate with international customers in order to generate better returns for the shareholders and the Board will decide what the best available source of funding is for the investments and acquisitions when suitable opportunities arise. On 13 April 2016, it entered into a conditional sale and puchase agreement in related to the Acquisition. For further details on the Acquisition, please refer to the paragraph headed "Prospects" above.

Impairment loss on trade receivables

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

Employees and emoluments

As at 31 March 2016, the Group had 15 employees (2015: approximately 60). To enhance their expertise, product knowledge, marketing skills and overall operational management abilities, the Group organises regular training and development courses for staff, providing them with a competitive remuneration package, including salary, allowance, insurance and commission/bonus. The Group also participated in statutory retirement benefits schemes for its employees in Hong Kong and the PRC.

Liquidity and financial resources

During the year, the Group generally financed its operations with internally generated resources and its own working capital.

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

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group was approximately 46.3% as at 31 March 2016 (2015: approximately 16.6%). The Group had time deposits and cash balances as at 31 March 2016 amounting to approximately HK$10,858,000 (2015: approximately HK$122,822,000).

The Group continues to adopt a policy of dealing principally with customers with whom the Group has enjoyed a long cooperation relationship so as to minimise credit risk in its business but management will be reviewing this position following completion of the Acquisition given the expected broadening of customer base.

Use of proceeds from the placing new shares during the year

On 27 August 2015, the Company entered into placing agreement with an independent placing agent to place a total of 95,200,000 new ordinary shares in the Company at the placing price of HK$0.105 per share. Net proceeds of approximately HK$9,560,000 were raised. The Group's business objectives and use of proceeds as stated in the announcement dated 27 August 2015 (the "Announcement") were based on the best estimation of future market conditions made by the Group at the time of preparing the Announcement.

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

Subsequent Event

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

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

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2016 (2015: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Save as disclosed below, the Company has complied with all the provisions in the CG Code during the year ended 31 March 2016.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 21 June 2013 onwards, the roles of chairman and chief executive of the Company were performed by Mr. Tse Hoi Chau.

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

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 March 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company undertook in August 2015 a placement of 95,200,000 new shares to independent third parties under general mandate raising net proceeds of approximately HK$9,560,000 and the placing completed on 10 September 2015. Further particular of the placing of new shares is set out in the Company's announcements dated on 27 August 2015 and 10 September 2015.

Save as disclosed, the Company did not redeem any of its listed securities during the year ended 31 March 2016 and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year ended 31 March 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 23 April 2008 with written terms of reference adopted by the Company on 29 February 2016 in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawerence (Chairman), Mr. Lau Yiu Kit and Mr. Zeng Zhaohui. The Audit Committee has held meetings with the Company's auditors, Asian Alliance (HK) CPA Limited to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2016.

SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in this announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of the Group's annual results for the year ended 31 March 2016 is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.artini-china.com.

The 2016 annual report of the Company will be dispatched to the shareholders of the Company and will be made available on the above websites in due course.

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

Hong Kong, 28 June 2016

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