ARTINI
雅天妮
Stock Code: 789

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

Annual Report 2013-14


ARTINI
雅天妮

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.

Excellence, Passionate,
Exceptional Originality,
Exceeding Expectation.

www.artini-china.com

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Hoi Chau (Chairman and Chief Executive)
Mr. Lin Shao Hua (appointed on 28 June 2013)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Li Youhuan (appointed on 1 October 2013)

AUDIT COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Lau Yiu Kit
Mr. Li Youhuan (appointed on 1 October 2013)

REMUNERATION COMMITTEE

Mr. Li Youhuan (Chairman)
(appointed on 1 October 2013)
Mr. Tse Hoi Chau
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

NOMINATION COMMITTEE

Mr. Lau Fai Lawrence (Chairman)
Mr. Tse Hoi Chau
Mr. Lau Yiu Kit
Mr. Li Youhuan (appointed on 1 October 2013)

COMPANY SECRETARY

Ms. Ho Wing Yan, *ACIS, ACS(PE)*
(appointed on 3 December 2013)

AUTHORISED REPRESENTATIVES

Mr. Tse Hoi Chau (appointed on 13 April 2014)
Ms. Ho Wing Yan, *ACIS, ACS(PE)*
(appointed on 3 December 2013)

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 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

AUDITOR
Zhonglei (HK) CPA Company Limited
Suites 313–316, 3/F.
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke Hm08

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

LISTING EXCHANGE INFORMATION

Place of Listing
The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")

Stock Code
789

COMPANY'S WEBSITE
www.artini-china.com

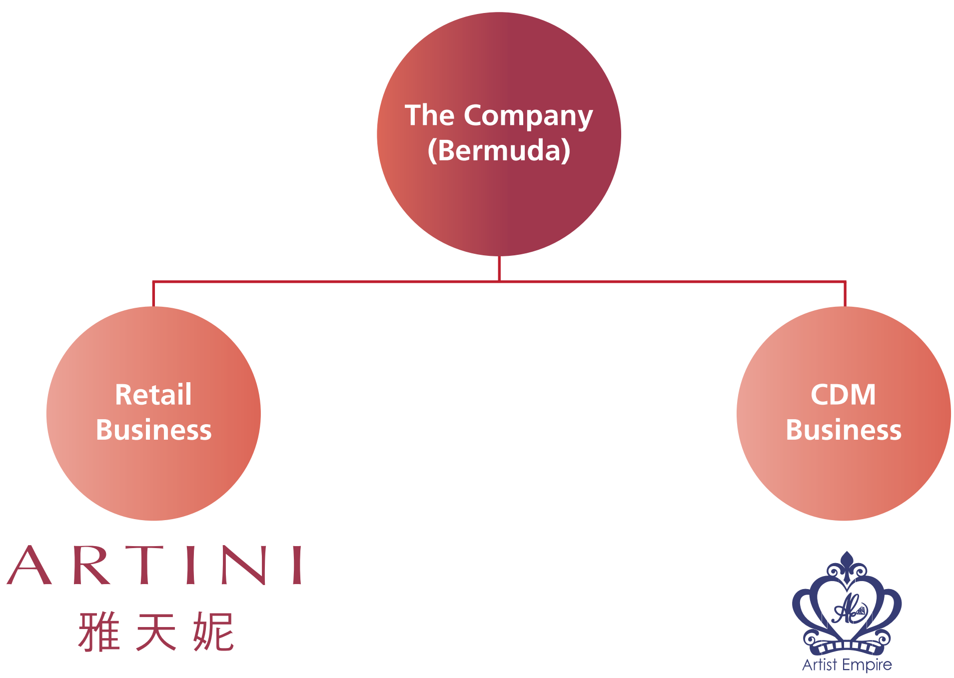
Corporate Profile

Artini China Co. Ltd. (the "Company" or "Artini") is 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.

Our brands Artini and Artist Empire, which focused on the gifts and premiums market 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 brand and world-renowned brands including Marks & Spencer, Disney and Tchibo of over 3 million pieces annually, distributing to the PRC, Europe and America etc.

As at 31 March 2014, the Group's retail network comprised about 15 retail points across 5 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, our Group's business was structured as follows:



Five-Year Financial Highlights

(All amounts in HK$ thousands unless otherwise stated)

	For the year ended 31 March				
	2014	2013	2012	2011	2010
Turnover	**173,236**	191,218	323,311	362,921	366,119
Gross profit	**18,215**	43,830	73,689	145,056	175,777
Loss from operations (Note below)	**(104,232)**	(97,269)	(146,728)	(170,106)	(98,483)
Loss for the year	**(108,320)**	(109,028)	(144,291)	(176,717)	(100,449)
Non-current assets	**51,161**	78,834	104,452	133,349	120,956
Current assets	**74,937**	140,352	236,406	349,555	425,567
Current liabilities	**66,547**	66,622	79,998	82,861	81,441
Net current assets	**8,390**	73,730	156,408	266,694	344,126
Total assets less current liabilities	**59,551**	152,564	260,860	400,043	465,082
Total equity	**59,403**	151,851	260,172	394,013	463,192
Gross profit margin (%)	**10.5**	22.9	22.8	40.0	48.0
Net loss margin (%)	**(62.5)**	(57.0)	(44.6)	(48.7)	(27.4)
Basic and diluted loss per share (HK$)	**(0.088)**	(0.088)	(0.116)	(0.143)	(0.098)
Current ratio (X)	**1.13**	2.1	3.0	4.2	5.2
Return on equity (%)	**(182.3)**	(71.8)	(55.5)	(44.9)	(21.7)
Return on assets (%)	**(85.9)**	(49.7)	(42.3)	(36.6)	(18.9)

Note: The amount represented loss before tax and finance costs.

Chairman's Statement

Dear Shareholders,

On behalf of Artini China Co. Ltd. and its subsidiaries, I hereby present the annual report on the consolidated results of the Group for the year ended 31 March 2014 to all shareholders of the Company (the "Shareholders").

In the past year, in view of the mounting competition in the market and the slowing growth of the global economy, the Group was exposed to various new pressure and new challenges as it continued to explore the market to increase its product sales while keeping the Company's trading and financial positions in check. As the old saying from Xici II, the Book of Changes goes, "When facing a predicament, one has to change. Change will show the way, which will lead to a continuation for development. With one's own effort and heaven's blessing, everything will go smoothly." Any enterprise wishing to stand firm and grow strong in the raging market

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.

torrent must have the determination and courage for change. In 2013, under the leadership of our Board and thanks to all colleagues' dedication to changes, the Group revamped the "ARTINI" brand with the help of a professional branding team. The upgraded "ARTINI" brand encompasses series of environment-friendly alloys, silver, K gold, semiprecious stones and diamonds. The constituents and materials applied in our products are of higher quality and more diversified. Going forward, the Group will gradually open stores with the brand-new image mainly in Guangzhou, Shenzhen and Hong Kong. The Group's product sales will be promoted by pooling its resources, strengthening channel expansion, enhancing market recognition and awareness of the revamped brand, leveraging the new O2O business model, as well as exploring new customers and initiating marketing campaigns with modern electronic means.

The global gift and accessory market remained weak in 2013. We recognise design and quality as the keys to maintaining our market. While looking for more sources of income and reducing unnecessary expenses, the Group has been actively reinforcing its brand customers of the CDM business and enhancing the standards of design and craftsmanship. We are highly aware of Artini's requirement on high quality. Every step and process from research to production is under rigorous supervision so that every Artini product is made to perfection. Considering the hard work and wisdom accumulated over several generations, we strongly believe that with the continuing efforts of all Artini staff, Artini will be able to achieve its goal of becoming the leading retail brand operator of fashion accessories in China.

Looking ahead, the Group will strive to enhance its brand image and brand value, as well as consolidate and increase its market share. Meanwhile, the Group will strengthen its cost control and manpower adjustment, introduce high-calibre talents, restructure its manufacturing facilities, promote the team's internal control and execution capabilities, and set targets for its retail and CDM businesses as well as divisions of all levels in an endeavour to boost its results.

With the hard work and top-down transformation over the past year, initial success has been seen in our market performance. As we pull and work together, we are confident of creating a brighter prospect!

Tse Hoi Chau
Chairman

Hong Kong, 27 June 2014

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!

SPARKS OF is the philosophy of ARTINI.

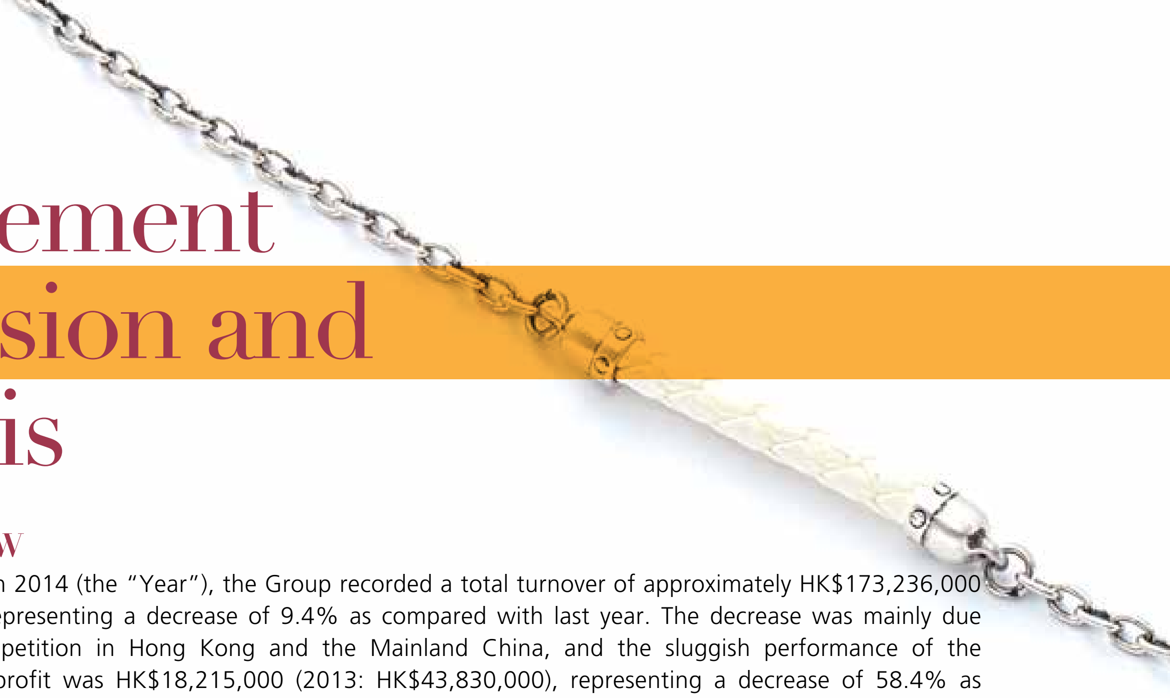
LIFE

TRENDY

ARTINI
雅天妮

Artist Empire

Whether it be whimsical, sophisticated, classic or trendy, the ARTINI characters shine through each piece of jewellery. Sparks of Life are also presented in a myriad of ways in each season, bestowing the modish women the joy of life in every moment.



Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2014 (the "Year"), the Group recorded a total turnover of approximately HK$173,236,000 (2013: HK$191,218,000), representing a decrease of 9.4% as compared with last year. The decrease was mainly due to the intense market competition in Hong Kong and the Mainland China, and the sluggish performance of the European economy. Gross profit was HK$18,215,000 (2013: HK$43,830,000), representing a decrease of 58.4% as compared with last year. During the Year, loss attributable to owners of the Company was approximately HK$108,299,000 (2013: HK$109,008,000). Basic loss per share was HK$0.088 (2013: HK$0.088).

RETAIL BUSINESS

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

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

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

As at 31 March 2014, the number of VIP customers of "Artini" was 132,087 (2013: 117,935), representing an increase of 11.1% over last year. The Group believed that loyal customers contributed a key portion of the Group's revenue. By analyzing the shopping habits of our VIP customers and thereby understanding their preferences, the Group has consistently developed new series of products and strategically organised promotional activities to raise brand awareness among its existing and potential customers.

CONCURRENT DESIGN MANUFACTURING ("CDM") BUSINESS

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

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

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

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

PROSPECTS

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

Management Discussion and Analysis

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

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

During the Year, the Group still maintained its approach of income expansion and cost saving by reducing unnecessary expenditures and costs, and restructured the CDM business to consolidate and enhance its core capabilities and competitiveness. Looking ahead, the management will devote more efforts to achieve multi-channel development and apply various business models for both retail and CDM businesses, so as to attract new customers and promote its business with the use of modern electronic means. The upgraded brand "ARTINI" is committed to creating more refined quality fashionable accessories while striving to establish a unique "ARTINI Lifestyle" for Chinese ladies. It will incorporate

living elements into the concept clubhouse of "ARTINI TIME" to build a trendy spot of shopping, leisure and experience and forge a fashionable and cultural cosmopolitan icon. Meanwhile, the brand will activate the full operation of e-commerce. On the one hand, the Group will use various channels to clean up its old stock; and on the other hand, it will employ multi-dimensional airborne to surface means to promote and market its products.

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

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 March 2014 amounted to approximately HK$173,236,000 (2013: HK$191,218,000), representing a decrease of 9.4% compared to the previous year.

CDM business

CDM business turnover recorded a year-on-year decrease of 15.4% to HK$124,187,000 (2013: HK$146,736,000) during the Year, accounting for 71.7% of the Group's total turnover (2013: 76.7%). This decrease was mainly due to the intense market competition.

Retail business

The retail business was one of the two major revenue generators for the year ended 31 March 2014, accounting for 28.3% of the Group's total turnover (2013: 23.3%). During the Year, turnover from our retail business increase 10.3% to HK$49,049,000 (2013: HK$44,482,000). This increase was mainly due to the success of the strategic business plan.

Turnover by geographical distribution segments

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

Cost of sales

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

Management Discussion and Analysis

Gross profit

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

Operating expenses

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

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

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

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

Loss attributable to owners of the Company

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

Income tax

During the year, the income tax expenses of the Group amounted to approximately HK$2,742,000 (2013: approximately HK$10,129,000). The change was mainly due to the write-down of deferred tax assets on temporary differences for the year ended 31 March 2014, amounting to approximately HK$1,317,000 compared to approximately HK$9,522,000 recognised for the year ended 31 March 2013.

Loss per share

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

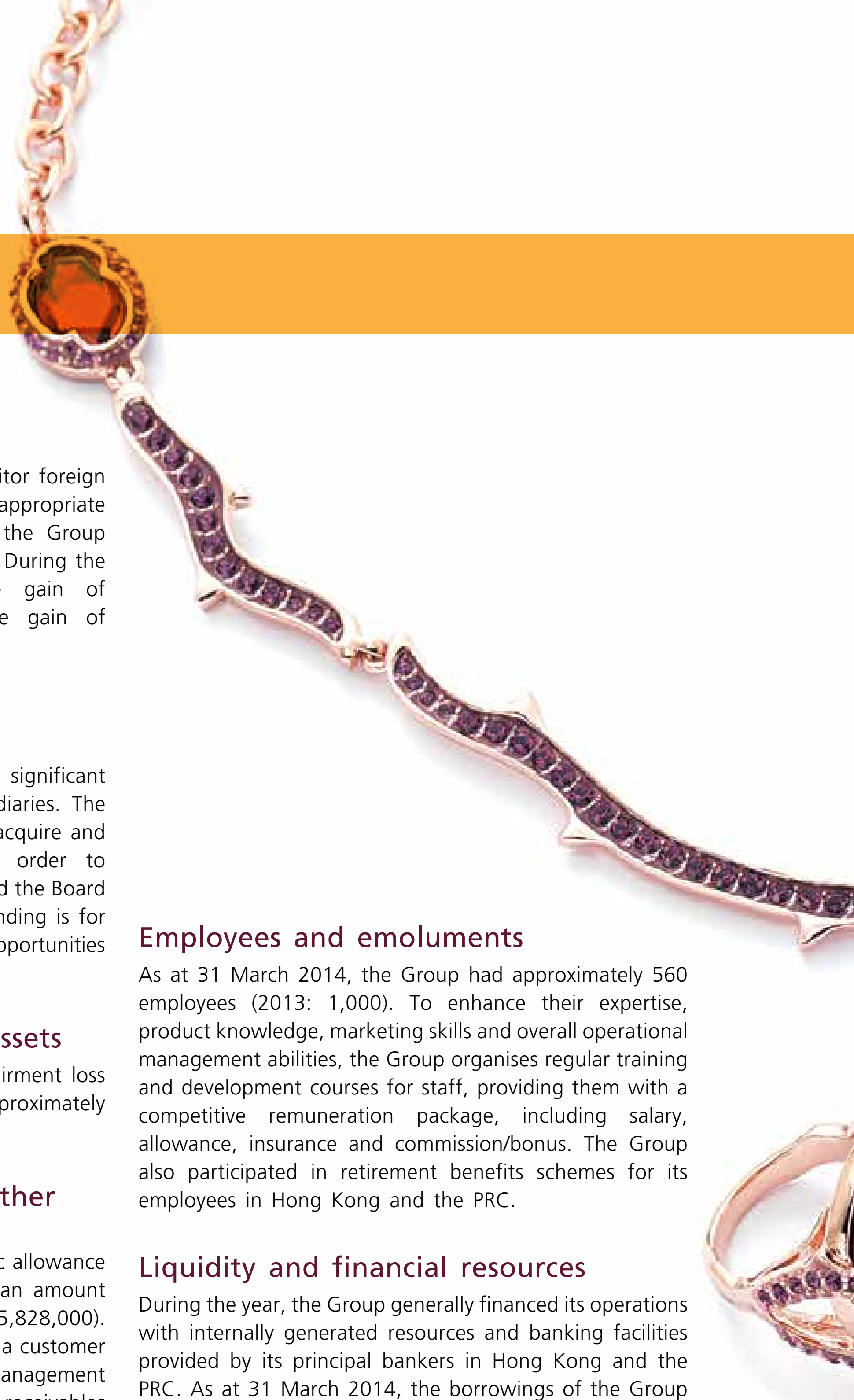
Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2014 (2013: HK$Nil).

Foreign exchange exposure

The major business activities of the Group take place in the PRC, the United States, Europe and Hong Kong with most transactions settled in Renminbi, United States dollars and Hong Kong dollars. Foreign currency exposure to United States dollars is minimal as Hong Kong dollars is pegged to the United States dollars. During the fiscal year, the exchange rate of Renminbi to Hong Kong dollars increased steadily. Accordingly, the Directors consider that the potential foreign exchange exposure of the Group is relatively limited. Moreover, the Group has not used any forward contracts or other derivative products to hedge interest rate or exchange rate risks. The management of

Management Discussion and Analysis



the Group will, nonetheless, continue to monitor foreign currency risks and adopt prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities. During the year, the Group recorded net exchange gain of approximately HK$982,000 (2013: exchange gain of approximately HK$456,000).

Significant Investments and Acquisitions

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

Impairment loss on intangible assets

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

Impairment loss on trade and other receivables

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

Employees and emoluments

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

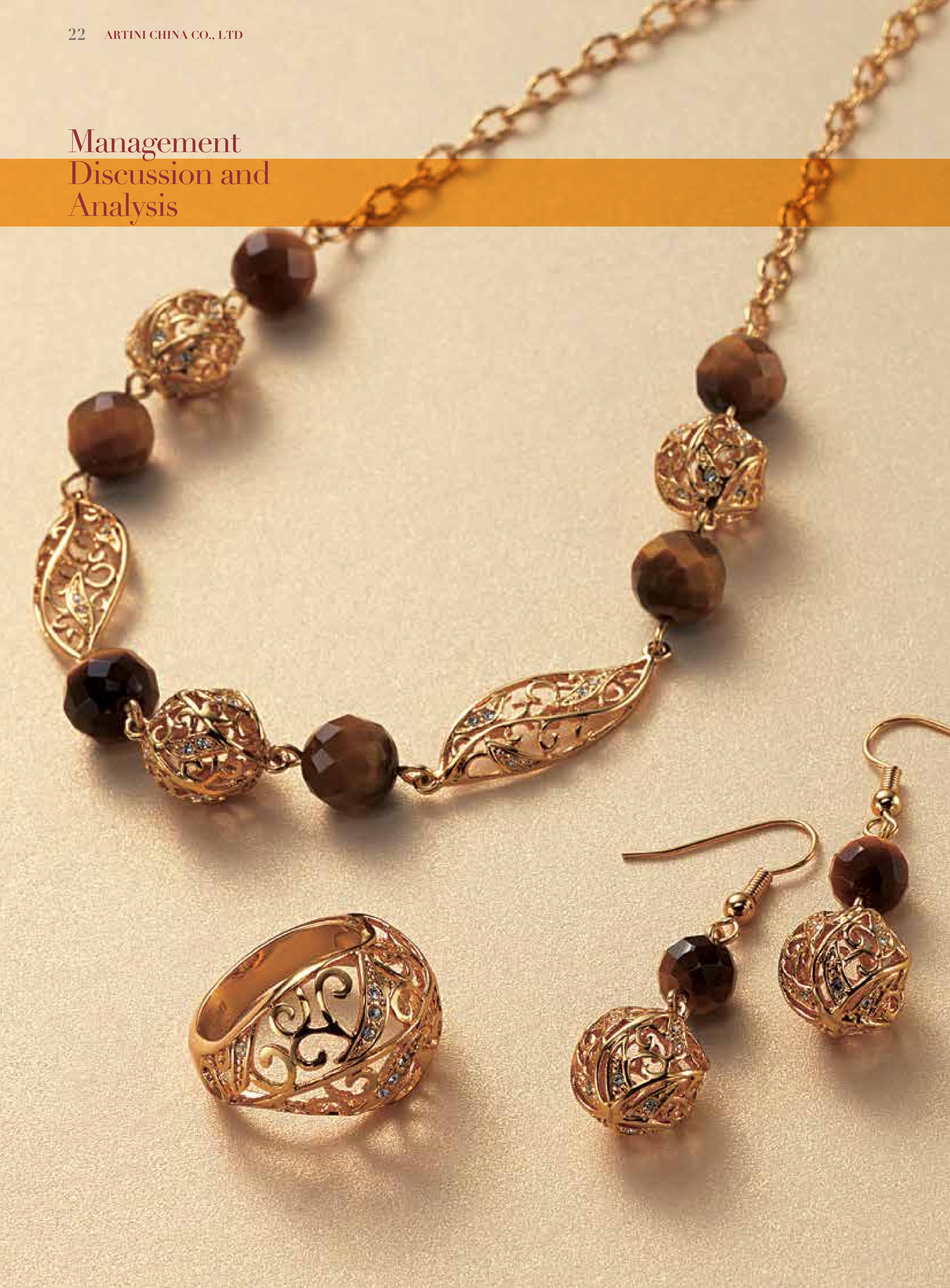
Liquidity and financial resources

During the year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2014, the borrowings of the Group amounted to HK$26,350,000 (2013: HK$20,708,000), which were denominated in Hong Kong dollars and Renminbi, were secured by pledging of properties with carrying value of HK$13,456,000 (2013: HK$11,724,000) and were repayable within five years after the draw-down dates. As the loans contain a clause in its terms that gives the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it is classified as current liabilities even though the Directors did not expect that the bank would exercise their rights to demand repayment. The borrowings mainly contained bank loans with effective interest rate of 6.765% to 7.315% per annum and a loan from financial institution with effective interest rate of 10% per annum.

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

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group was 52.9% as at 31 March 2014 (2013: 30.7%). The Group had time deposits and cash balances as at 31 March 2014 amounting to approximately HK$11,717,000 (2013: approximately HK$52,456,000).

Management Discussion and Analysis



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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2014 (2013: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

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

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

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

SPARKLING
the Fashion Accessories Market in the PRC

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. TSE Hoi Chau, aged 48, was appointed as the Chairman, an executive Director and a member of the remuneration committee and the nomination committee of the Company on 1 December 2010 and was further appointed as chief executive of the Company on 21 June 2013. He possesses more than 20 years' experience in the fashion ornament and jewelry wholesale industry. He also has experience in property investment, mineral exploration and mineral trade and sales. Mr. Tse is the founder and director of Viennois Group Co., Ltd, a company based in Guangzhou, China. He 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 is the sole director of Walifax Investments Limited which, as at the date of this report, was interested in 542,633,994 shares of the Company, representing approximately 43.86% of the issued share capital of the Company. Mr. Tse had also a personal interest in 7,412,000 shares and 12,000,000 share options granted to him by the Company on 28 March 2014 under the Share Option Scheme, representing approximately 1.56% of the issued share capital of the Company. Mr. Tse is the brother-in-law of Mr. Lin Shao Hua, executive Director.

Mr. LIN Shao Hua, aged 54, was appointed as an executive Director on 28 June 2013. He has 23 years of experience in factory management and product development. He has worked at Artist Empire (Hai Feng) Jewellery Mfy. Limited, a wholly-owned subsidiary of the Company, as the general manager since 1991, responsible for the overall management and business development of Artist Empire (Hai Feng) Jewellery Mfy. Limited. He is currently a member of the Hai Feng County Committee of the Chinese People's Political Consultative Conference (海豐縣政協委員). Mr. Lin was an executive director of the Company from 17 July 2009 to 31 October 2011. Saved as disclosed, Mr. Lin had not held any other positions in the Company and its subsidiaries and had not held any other directorships in any listed public companies in Hong Kong or overseas or other major appointments and qualifications in the last three years. Mr. Lin is the brother-in-law of Mr. Tse Hoi Chau, the chairman of the Company. Save as disclosed, he has no other relationship with any directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Lin is interested in 12,000,000 share options granted to him by the Company on 28 March 2014 under the Share Option Scheme, representing approximately 0.97% of the issued share capital of the Company.

Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 42, was appointed as independent non-executive Director on 23 April 2008. He is also the chairman of the audit committee and the nomination committee of the Company and a member of the remuneration committee of the Company. Mr. Lau has extensive experience in accounting, corporate finance and auditing. He is a practising certified public accountant in Hong Kong and is currently the Company Secretary of BBMG Corporation which is listed on the main board of the Stock Exchange. Before joining BBMG Corporation, he was the Group Financial Controller of Founder Holdings Limited and EC-Founder (Holdings) Company Limited, both of which are listed on the main board of the Stock Exchange. Mr. Lau has previously worked in Price Waterhouse Company Limited (now known as PricewaterhouseCoopers) as an accountant from 1994 to 1998. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, 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 has also been an executive director of China Packaging Group Company Limited (Stock code: 572) since January 2014 and an independent non-executive director of Titan Petrochemicals Group Limited (Stock code: 1192) since March 2014, both of which are listed on the Stock Exchange.

Mr. LAU Yiu Kit, aged 54, 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. LI Youhuan, aged 43, was appointed as independent non-executive Director on 1 October 2013. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. He graduated from Guangdong University Of Business Studies, Guangdong Academy of Social Sciences and Northwest University respectively. He majored in World Economics at Northwest University and obtained a doctoral degree in Economics. He was a senior visiting scholar of The University of Nottingham, England, in 2004–2005, and engaged in post-doctoral research at the post-doctoral mobile station of applied economics of Beijing Jiaotong University in 2008–2011. He is currently a director of The Development & Research Center of Guangdong Social Sciences, a director and researcher of Social Responsibility Assessment and Research Center of Guangdong Academy of Social Sciences, and a professor and doctoral tutor of the School of Economics and Management of Beijing Jiaotong University. His major research directions are world economics, corporate social responsibility, international trade and international finance.

COMPANY SECRETARY

Ms. HO Wing Yan, was appointed as Company Secretary on 3 December 2013. She has 10 years of experience in serving as company secretary of Hong Kong companies and providing company secretary services to companies listed on the Stock Exchange. She is an associate member of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner's Endorsement issued by HKICS.

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 2014 (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 39 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 2014 are set out in note 8 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 30.7% (2013: 27.2%) of the total sales. The top five suppliers accounted for approximately 23.0% (2013: 44.1%) of the total purchases for the year ended 31 March 2014. In addition, the Group's largest customer accounted for approximately 15.1% (2013: 7.6%) of the total sales and the Group's largest supplier accounted for approximately 14.0% (2013: 15.9%) of the total purchases for the year ended 31 March 2014.

At no time during the year ended 31 March 2014 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 2014, which do not constitute connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 35 to the Financial Statements.

FINANCIAL STATEMENTS

The loss of the Group and the state of the Company's and the Group's affairs as at 31 March 2014 are set out in the Financial Statements on pages 47 to 112 respectively.

TRANSFER TO RESERVES

Loss attributable to owners of the Company, before dividends, of approximately HK$108,320,000 (2013: HK$109,008,000) 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 2014 (2013: HK$Nil).

CHARITABLE DONATIONS

The Group did not have charitable donation during the year ended 31 March 2014 (2013: HK$Nil).

FIXED ASSETS

Details of movements in fixed assets during the year ended 31 March 2014 are set out in note 17 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2014 are set out in note 29 to the Financial Statements.

DIRECTORS

The Directors during the year ended 31 March 2014 and up to the date of this report are:

Executive Directors

Mr. Tse Hoi Chau
Mr. Lin Shao Hua (appointed on 28 June 2013)
Ms. Yip Ying Kam (resigned on 13 April 2014)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Li Youhuan (appointed on 1 October 2013)
Mr. Chan Shu Hung, Joseph (resigned on 1 January 2014)

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 pages 37 to 38.

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.

Report of the Directors

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

As at 31 March 2014, 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 2014
Tse Hoi Chau	The Company	Corporate interest	542,633,994 *(Note 1)*	—	43.86%
		Beneficial interest	7,412,000	12,000,000 *(Note 2)*	1.56%
Lin Shao Hua		Beneficial interest	12,000,000	12,000,000	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 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 2014 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.

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, 108,000,000 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 0.52% 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.

Report of the Directors

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 2014 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Number of share options						Validity period of share options	Exercise price (HK$)
		Outstanding at 01.04.2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.03.2014		
Director									
Tse Hoi Chau	28.03.2014	—	12,000,000	—	—	—	12,000,000	28.03.2014–27.03.2019	0.2618
Lin Shao Hua	28.03.2014	—	12,000,000	—	—	—	12,000,000	28.03.2014–27.03.2019	0.2618
Yip Ying Kam (resigned on 13 April 2014)	24.02.2012	12,000,000	—	—	—	—	12,000,000	24.02.2012–23.02.2018 *(Note)*	0.2220
Employee									
In aggregate	28.03.2014	—	24,000,000	—	—	—	24,000,000	28.03.2014–27.03.2019	0.2618
Consultant									
In aggregate	28.03.2014	—	60,000,000	—	—	—	60,000,000	28.03.2014–27.03.2019	0.2618
Total		**12,000,000**	**108,000,000**	**—**	**—**	**—**	**120,000,000**		

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.

The closing price for the shares on 28 March 2014, date immediately before the share options grants, was HK$0.2440.

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

As at 31 March 2014, 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 2014
Walifax Investments Limited *(Note below)*	Beneficial interest	542,633,994	43.86%

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

Save as disclosed above, as at 31 March 2014, 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 2014.

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 27 to 28 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 30 to the Financial Statements.

Report of the Directors

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 2014 and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 March 2014.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 March 2014 and up to the date of this report, none of the Directors or the management shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 March 2012 and 2013 were audited by Mazars CPA Limited. Mazars CPA Limited resigned as auditor for the Group with effect from 20 February 2014. The consolidated Financial Statements for the year ended 31 March 2014 were audited by ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI"), which was appointed as the auditor of the Group with effect from 21 February 2014. ZHONGLEI shall retire as auditors of the Company at the forthcoming annual general meeting. A resolution for the re-appointment of ZHONGLEI as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Tse Hoi Chau
Chairman

Hong Kong, 27 June 2014

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 2014.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 March 2014.

BOARD OF DIRECTORS

Composition

As at 31 March 2014, the Board comprised three executive Directors and three independent non-executive Directors. The composition of the Board during the year ended 31 March 2014 and up to the date of this report are as follows:

Executive Directors
Mr. Tse Hoi Chau
Mr. Lin Shao Hua (appointed on 28 June 2013)
Ms. Yip Ying Kam (resigned on 13 April 2014)

Independent Non-executive Directors
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Li Youhuan (appointed on 1 October 2013)
Mr. Chan Shu Hung, Joseph (resigned on 1 January 2014)

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.

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.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices

The Company adopted the practice of holding Board meetings regularly throughout the year ended 31 March 2014. 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.

During the year ended 31 March 2014 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 2014, 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	19/19	1/1
Mr. Lin Shao Hua (appointed on 28 June 2013)	15/16	1/1
Ms. Yip Ying Kam (resigned on 13 April 2014)	18/19	1/1
Independent Non-executive Directors		
Mr. Lau Fai Lawrence	19/19	1/1
Mr. Lau Yiu Kit	19/19	1/1
Mr. Li Youhuan (appointed on 1 October 2013)	11/11	N/A
Mr. Chan Shu Hung, Joseph (resigned on 1 January 2014)	13/14	1/1

Directors' Appointment, Re-election and Removal

Mr. Tse Hoi Chau ("Mr. Tse") entered into a service contract with the Company for a term of 2 years commencing on 21 June 2013 which may be terminated by either party giving to the other not less than 3 months' prior notice in writing. Mr. Tse is entitled to a monthly salary, of approximately HK$340,000 (on a 13-month basis which equals to approximately HK4,420,000 in aggregate per year), which was determined by reference to the prevailing market rate and his time, effort and expertise devoted to the Company's affairs. He was also granted a monthly housing allowance of not exceeding HK$51,150 per month. As an executive Director, he is also entitled to a discretionary bonus for each financial year to be determined by the Board.

Mr. Lin Shao Hua ("Mr. Lin") entered into a service contract with the Company for a term of 2 years commencing on 28 June 2013 to 28 June 2015 which may only be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Mr. Lin is entitled to a monthly salary of HK$55,000 (on a 13-month basis which equals to HK$715,000 in aggregate per year) which was determined with reference to his previous experience, prevailing market conditions as well as his duties and responsibilities with the Company. He is also entitled to a discretionary bonus for each financial year to be determined by the Board.

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

Mr. Lau Fai Lawrence 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.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

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

Mr. Li Youhuan ("Mr. Li") has entered into a letter of appointment with the Company for a term of 1.75 years commencing on 1 October 2013 and can be terminated by either party by giving at least 3 months' notice in writing. Mr. Li is entitled to a fee of HK$270,000 per annum which is determined on the basis of his duties and responsibilities with the Company and prevailing market conditions.

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

Independent Non-executive Directors

Among the independent non-executive Directors, at least one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 March 2014. The Company, based on such confirmation, considers all independent non-executive directors during the year ended 31 March 2014 are independent.

Chairman and Chief Executive

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

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

Delegation of Powers

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

Continuous Professional Development

All Directors receive an induction on their appointments to ensure adequate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. All Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training and provided a record of training they received for the year ended 31 March 2014 to the Company.

BOARD OF DIRECTORS (continued)

Continuous Professional Development (continued)

During the year ended 31 March 2014, the Company has provided regulatory updates for the directors of the Company prepared by external professional institution to develop and refresh their knowledge and skills through suitable reading materials. The programme is to ensure that their contribution to the Board remains informed and relevant.

The individual training record of each Director received for the year ended 31 March 2014 is summarised below:

Directors	**Completed continuous professional development programmes**
Executive Directors	
Mr. Tse Hoi Chau	√
Mr. Lin Shao Hua	√
Independent Non-Executive Directors	
Mr. Lau Fai Lawrence	√
Mr. Lau Yiu Kit	√
Mr. Li Youhuan	√

Disclosure of Directors' Information Under Rule 13.51B(1) of the Listing Rules

Mr. Tse Hoi Chau, chairman, executive Director and chief executive of the Company, was appointed as the authorised representative of the Company with effect from 13 April 2014 pursuant to the requirements under Listing Rule 3.05.

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published financial report.

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. As at 31 March 2014, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Mr. Lau Yiu Kit and Mr. Li Youhuan.

Corporate Governance Report

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 2014, 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. Li Youhuan (appointed on 1 October 2013)	2/2
Mr. Chan Shu Hung, Joseph (resigned on 1 January 2014)	3/3

For the year ended 31 March 2014, the Audit Committee has held meetings with the Company's former and current auditor, Mazars CPA Limited and ZHONGLEI, to discuss the auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2014 and the interim financial report for the six months ended 30 September 2013, 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 2014, the Remuneration Committee comprised four members, namely Mr. Li Youhuan (Chairman), 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 2014, 4 Remuneration Committee meetings were held and details of the members' attendance of the Remuneration Committee meetings are as follows:

Name of the Members	Members' Attendance
Mr. Li Youhuan (Chairman) (appointed on 1 October 2013)	1/1
Mr. Tse Hoi Chau	4/4
Mr. Lau Fai Lawrence	4/4
Mr. Lau Yiu Kit	4/4
Mr. Chan Shu Hung, Joseph (resigned on 1 January 2014)	3/3

For the year ended 31 March 2014, 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.

Corporate Governance Report

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 2014, the Nomination Committee comprised four members, namely Mr. Lau Fai Lawrence (Chairman), Mr. Tse Hoi Chau, Mr. Lau Yiu Kit and Mr. Li Youhuan, the majority of which are independent non-executive Directors (except for Mr. Tse Hoi Chau, an executive Director).

The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of directors were nominated by the Nomination Committee based on considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

During the year ended 31 March 2014, 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	3/3
Mr. Lau Yiu Kit	3/3
Mr. Li Youhuan (appointed on 1 October 2013)	N/A
Mr. Chan Shu Hung, Joseph (resigned on 1 January 2014)	3/3

For the year ended 31 March 2014, the Nomination Committee reviewed the composition, size, structure and diversity of the Board and determined the appointment of the Directors and senior management of the Company.

Board Diversity Policy

The Nomination Committee adopted the board diversity policy pursuant to Appendix 14 of the Listing Rules. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2014, 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.

ACCOUNTABILITY AND AUDIT (continued)

Directors' and Auditor's Responsibilities for the Financial Statements (continued)

The reporting responsibility of the external auditor of the Company on the financial statements of the Company for the year ended 31 March 2014 are set out in the Independent Auditor's Report.

Auditor's Remuneration

During the year ended 31 March 2014, the remuneration paid or payable to the Company's auditor, Zhonglei (HK) Company Limited, in respect of its audit and non-audit services were as follows:

Type of Services	HK$'000
Audit services	700

INTERNAL CONTROL

The Company has prepared an internal control report, covering all material controls, including financial and operation for the year ended 31 March 2014. The said internal control report compiled by the Company has been brought to the attention of the Board and the Audit Committee. The Board, having reviewed the effectiveness of the internal control system, concluded that the Group needs to further improve its internal control system.

The Company has established the internal control department to provide day-to-day management of the compliance and control of the Group and report to the Board on control and compliance matters. The internal control department has been headed by Internal Control Manager since December 2011, and it reports directly to the Board. The primary responsibilities of the internal control department include reviewing the internal control system and monitoring the compliance of the daily operating activities within the Group. In addition, it also carries out assessment in relation to the establishment of new company or entity and new products of the Group.

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 2014.

Corporate Governance Report

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 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

Ms. Ho Wing Yan ("Ms. Ho") is currently the company secretary of the Company. Ms. Ho has taken no less than 15 hours of relevant professional training for the year ended 31 March 2014. Ms. Rachel Cham, the company secretarial assistant of the Company, remains as the primary corporate contact person of the Company.

Independent Auditor's Report

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS 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 (collectively referred to as the "Group") set out on pages 47 to 112, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2014 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.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Li Man Choi
Practising Certificate Number: P03333

Suites 313–316, 3/F., Shui On Centre,
6–8 Harbour Road,
Wan Chai,
Hong Kong

27 June 2014

Consolidated Statement of Profit or Loss

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	8	173,236	191,218
Cost of sales		(155,021)	(147,388)
Gross profit		18,215	43,830
Other income	9	1,262	3,152
Other gains and losses	10	(14,815)	(7,607)
Selling and distribution expenses		(30,589)	(78,633)
Administrative expenses		(78,305)	(58,011)
Finance costs	11	(1,346)	(1,630)
Loss before tax	12	(105,578)	(98,899)
Income tax expense	15	(2,742)	(10,129)
Loss for the year		(108,320)	(109,028)
Attributable to:			
— Owners of the Company		(108,299)	(109,008)
— Non-controlling interests		(21)	(20)
Loss for the year		(108,320)	(109,028)
Loss per share	16		
— Basic (HK$)		(0.088)	(0.088)
— Diluted (HK$)		N/A	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

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

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	32,772	48,434
Prepaid lease payments — non-current portion	18	7,717	8,182
Investment properties	19	9,090	17,558
Intangible assets	20	—	1,247
Deferred tax assets	21	628	2,159
Trade and other receivables — non-current portion	23	954	1,254
		51,161	78,834
CURRENT ASSETS			
Inventories	22	12,864	35,304
Trade and other receivables	23	49,657	51,075
Prepaid lease payments	18	551	547
Amounts due from related companies	24	129	—
Tax recoverable		19	970
Pledged bank deposits and cash and cash equivalents	25	11,717	52,456
		74,937	140,352
CURRENT LIABILITIES			
Trade and other payables	26	37,484	43,207
Amount due to a related company	24	20	—
Tax liabilities		2,693	2,328
Borrowings	27	26,350	20,708
Obligations under finance leases	28	—	379
		66,547	66,622
NET CURRENT ASSETS		8,390	73,730
TOTAL ASSETS LESS CURRENT LIABILITIES		59,551	152,564
NON-CURRENT LIABILITIES			
Obligations under finance leases — non-current portion	28	—	288
Deferred tax liabilities	21	148	425
		148	713
NET ASSETS		59,403	151,851

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	*29*	**123,732**	123,732
Reserves		**(64,329)**	27,857
Equity attributable to owners of the Company		**59,403**	151,589
Non-controlling interests		**—**	262
TOTAL EQUITY		**59,403**	151,851

The consolidated financial statements on pages 47 to 112 were approved and authorised for issue by the board of directors on 27 June 2014 and are signed on its behalf by:

Tse Hoi Chau
Director

Lin Shao Hua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 *(note (A))*	Translation reserve HK$'000	PRC statutory reserves HK$'000 *(note (B))*	Share-based payment capital reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As 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 for the year	—	—	—	1,314	—	—	—	1,314	—	1,314
Total comprehensive income (expense) for the year	—	—	—	1,314	—	—	(109,008)	(107,694)	(20)	(107,714)
Recognition of equity-settled share-based payments	—	—	—	—	—	268	—	268	—	268
Step acquisition of a subsidiary	—	—	(665)	—	—	—	—	(665)	(210)	(875)
As at 31 March 2013	123,732	549,974	(20,183)	37,122	21,755	878	(561,689)	151,589	262	151,851
Loss for the year	—	—	—	—	—	—	(108,299)	(108,299)	(21)	(108,320)
Other comprehensive income for the year	—	—	—	1,608	—	—	—	1,608	—	1,608
Total comprehensive income (expense) for the year	—	—	—	1,608	—	—	(108,299)	(106,691)	(21)	(106,712)
Disposals of Disposed Companies *(as defined in Note 34)*	—	—	665	—	—	—	—	665	(241)	424
Recognition of equity-settled share-based payments	—	—	—	—	—	13,840	—	13,840	—	13,840
As at 31 March 2014	**123,732**	**549,974**	**(19,518)**	**38,730**	**21,755**	**14,718**	**(669,988)**	**59,403**	**—**	**59,403**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

Notes:

A. OTHER RESERVES

The other reserves comprise of the following:

i. Restructuring reserve

The restructuring reserve of debit balance of HK$19,615,000 (2013: HK$19,615,000) represented the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries comprising of the Group prior to the reorganisation of the Group in 2008.

ii. Legal reserve

Pursuant to the Macao Commercial Code, the Company's subsidiary incorporated in Macao is required to appropriate 25% of net profit to legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve of HK$97,000 (2013: HK$97,000) at the end of reporting period is not distributable to equity holders of the Company.

iii. Transactions with non-controlling interests reserve

The amount represented the difference 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 upon the acquisition of 11.67% equity interest in a subsidiary, Q'ggle Lingerie Company Limited from the non-controlling interests of the subsidiary which was recognised directly in "Transactions with non-controlling interests reserve" within equity and attributed to the owners of the parent in prior years. The amount was reversed upon the disposals of the Disposal Companies during the year.

B. PRC STATUTORY RESERVES

The amounts represented the transfers from retained earnings to PRC statutory reserves which were made in accordance with the relevant rules and regulations in the People's Republic of China (the "PRC") and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors which comprise of:

i. General reserve fund

Subsidiaries in the PRC are required to transfer 10% of the net profits, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

General reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the subsidiary's registered capital.

ii. Enterprise expansion fund

Subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of appropriation is decided by the directors of the subsidiaries.

Enterprise expansion fund can be used for the subsidiaries' business development purposes and for working capital purposes. This fund can also be used to increase capital of the relevant subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distribution of dividends to the equity holders.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(105,578)**	(98,899)
Adjustment for:		
Depreciation of property, plant and equipment	**7,360**	12,708
Depreciation of investment properties	**813**	428
Amortisation of prepaid lease payments	**539**	582
Amortisation of intangible assets	**—**	1,500
Finance costs	**1,346**	1,630
Interest income	**(45)**	(2,214)
Losses (gains) on disposals of property, plant and equipment	**279**	(53)
Written-off of property, plant and equipment	**13,600**	—
Gains on disposals of investment properties	**(1,996)**	—
Net gains on disposals of Disposal Companies *(Note 34)*	**(474)**	—
Impairment losses recognised in respect of inventories	**20,989**	18,695
Impairment losses recognised in respect of trade receivables	**3,908**	5,828
(Reversal of) impairment losses recognised in respect of other receivables	**(767)**	431
Impairment losses recognised in respect of intangible assets	**1,247**	593
Share-based payment expenses	**13,840**	268
Net realised and unrealised losses of trading securities	**—**	464
Foreign exchange gains	**—**	(632)
Operating cash flows before movements in working capital	**(44,939)**	(58,671)
Movements in working capital:		
Decrease in inventories	**2,032**	11,671
(Increase) decrease in trade and other receivables	**(829)**	13,975
Decrease in trade and other payables	**(4,472)**	(14,701)
Cash used in operations	**(48,208)**	(47,726)
Income taxes (paid) refunded	**(81)**	281
Interest paid	**(1,346)**	(1,630)
NET CASH USED IN OPERATING ACTIVITIES	**(49,635)**	(49,075)

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES		
Proceeds on disposals of investment properties	9,918	—
Proceeds on disposals of property, plant and equipment	164	580
Interest received	45	2,214
Purchase of property, plant and equipment	(5,864)	(1,243)
Net cash outflow on disposals of Disposal Companies *(Note 34)*	(893)	—
Advances to related companies	(129)	—
Proceeds from disposals of trading securities	—	4,427
Payment for step acquisition of a subsidiary	—	(500)
Purchase of intangible assets	—	(160)
Increase in pledged bank deposits	(798)	—
NET CASH FROM INVESTING ACTIVITIES	2,443	5,318
FINANCING ACTIVITIES		
New borrowings raised	19,000	26,536
Advance from a related company	20	—
Repayments of borrowings	(13,721)	(26,103)
Repayments of obligations under finance leases	(379)	(1,091)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,920	(658)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(42,272)	(44,415)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	52,255	95,962
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	735	708
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10,718	52,255

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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 ("HKSE").

The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

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

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, manufacture, retailing and distribution and concurrent design manufacturing ("CDM") of fashion accessories.

The principal activities of its subsidiaries are set out in Note 39 to the consolidated financial statements.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company (the "Directors") has given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$108,320,000 during the financial year ended 31 March 2014.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the management has taken and/or will take the following measures:

a. As mentioned in Note 37(a), on 1 May 2014, the Group obtained a long-term borrowing of HK$8,000,000 from Mr. Tse Hoi Chau ("Mr. Tse"), a controlling shareholder of the Company, which is repayable on 30 June 2015;

b. As mentioned in Note 37(b), on 24 June 2014, Mr. Tse and the Company entered into the Deed of Undertaking whereby Mr. Tse agreed to provide or procure financial support to the Company and/or the Group commencing on 24 June 2014 and until 30 June 2015;

c. The management has taken various cost control measures to tighten the costs of operations and reduce various administrative expenses; and

d. The Group has been implementing various sales and marketing strategies to reduce the losses of the Group.

The Directors are of the opinion that, taking into account the above (a) and (b) measures, the Group will have sufficient working capital to finance its operations and to pay financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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

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

Except as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised standards adopted by and relevant to the Group

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

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

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

Impact of the application of HKFRS 10

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

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

New and revised standards adopted by and relevant to the Group (continued)

Impact of the application of HKFRS 10 (continued)

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

Impact of the application of HKFRS 12

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

HKFRS 13 Fair Value Measurement

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

New and revised standards adopted by and relevant to the Group (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (continued)

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

New and revised HKFRSs in issue but not yet effective

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

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

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

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

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

Annual Improvements to HKFRSs 2010–2012 Cycle (continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010–2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The *Annual Improvements to HKFRSs 2011–2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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

Annual Improvements to HKFRSs 2011–2013 Cycle (continued)

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011–2013 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The Directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group do not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impacts on the Group's financial performance and positions and/or on the disclosures of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with accounting policies set out below which are in conformity with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKSE and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, where applicable, on the basis specified in another standard.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairments, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received or receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from licensing is recognised in profit or loss in equal installments over the periods as stipulated in the sales agency agreement.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share-based payment capital reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share-based payment capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment capital reserve will be transferred to accumulated losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment arrangements (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment capital reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit or loss before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings in the production or supply of goods or services, or for administrative purposes as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any. Depreciation is recognised so as to write-off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised so as to write-off the cost of intangible assets over their estimated useful lives, using the straight-line method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, pledged bank deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related company, borrowings and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

Critical judgements in applying accounting policies

The Directors have not come across any significant areas where critical judgements are involved in applying the Group's accounting policies.

Key sources of estimation uncertainty

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

a. *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could be changed significantly as a result of competitors' actions in response to changes in market condition. Management reassesses these estimates at the end of the reporting period.

b. *Impairment allowances on trade and other receivables*

In determining individual impairment allowances, the Group periodically reviews its trade and other receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated statement of profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the customers' financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group, if any.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

c. *Impairment of property, plant and equipment*

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the continuing use of the assets and from its ultimate disposal and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. *Deferred tax assets*

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

e. *Impairment for investments in subsidiaries*

If circumstances indicate that the Company's investments in subsidiaries, including the receivables from the subsidiaries are not recoverable, the Company's investments in subsidiaries may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of Assets*. The carrying amount of the Company's investments in subsidiaries is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for investment in subsidiaries are not readily available. In determining the value in use, expected cash flows generated by the Company's investments in subsidiaries are discounted to their present value, which requires significant judgment relating to level of sale volume and amount of operating costs of the subsidiaries. The Company use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume and amount of operating costs of the subsidiaries.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes borrowings and net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

6. CAPITAL RISK MANAGEMENT (CONTINUED)

The management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as raising of new borrowings or the repayment of existing borrowings.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
— Trade and other receivables	35,407	32,376
— Amounts due from related companies	129	—
— Pledged bank deposits and cash and cash equivalents	11,717	52,456
	47,253	84,832
Financial liabilities		
Financial liabilities at amortised cost:		
— Trade and other payables	30,503	32,313
— Amounts due to a related company	20	—
— Borrowings	26,350	20,708
— Obligations under financial leases	—	667
	56,873	53,688

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, pledged bank deposits and cash and cash equivalents, trade and other payables, amount due to a related company, borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior years.

c. Market risk

The Group's activities expose it primarily to the market risks including interest rate risk (Note 7(c)(i)) and foreign currency risk (Note 7(c)(ii)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

7. FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

i. Interest rate risk management

The Group's exposure to fair values interest rate risk is mainly caused by fixed rate borrowing. The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly pledged bank deposits and cash and cash equivalents, borrowings and obligations under finance leases which carried interest at prevailing market rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable-rate borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole period.

If interest rates on bank balances had been 5 basis points higher, interest rates on variable-rate borrowings had been 50 basis points higher, and all other variables were held constant, the potential effect on post-tax loss is as follows:

	2014 HK$'000	2013 HK$'000
Post-tax loss would increase by	31	78

For a decrease of interest rate of 5 basis points on bank balances and 50 basis points on variable-rate bank borrowings, there would be an equal and opposite impact on the post-tax loss for the year ended 31 March 2014.

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposures do not reflect the exposure during the year ended 31 March 2014.

ii. Foreign currency risk management

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial year, certain trade and other receivables, pledged bank deposits and cash and cash equivalents, trade and other payables and borrowings of the Group are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

7. FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

ii. Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2014 HK$'000	2013 HK$'000
Assets		
United Stated Dollars ("US$")	23,726	21,418
Renminbi ("RMB")	7,531	47,744
Liabilities		
US$	19	52
RMB	30,916	47,126
Net assets (liabilities)		
US$	23,707	21,366
RMB	(23,385)	618

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB, with all other variables held constant, of the Group's post-tax loss. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

7. FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

ii. Foreign currency risk management (continued)

	Increase (decrease) in RMB rate %	Increase (decrease) in post-tax loss HK$'000
Year ended 31 March 2013		
If HK$ weakens against RMB	5	31
If HK$ strengthens against RMB	(5)	(31)
Year ended 31 March 2014		
If HK$ weakens against RMB	**5**	**(1,169)**
If HK$ strengthens against RMB	**(5)**	**1,169**

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year ended 31 March 2014.

d. Credit risk management

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, amounts due from related companies and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management reviews the recoverability of each debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

As at 31 March 2014, the Group has concentration of credit risk as the Group's gross trade receivables of HK$16,625,000 (2013: HK$12,282,000), representing 47.91% (2013: 45.61%) of total gross trade receivables were derived from few customers. In order to minimise the credit risk, the management continuously monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk on the remaining trade receivables, with exposure spread over a number of counterparties and customers.

7. FINANCIAL INSTRUMENTS (CONTINUED)

d. Credit risk management (continued)

The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Directors based on prior experience and their assessment of the current economic environment. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash at bank since all of the Group's cash and cash equivalents are deposited with major and creditworthy banks and securities companies located in Hong Kong and the PRC.

e. Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Group's operations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	**Repayable on demand or within 1 year**	**More than 1 year but Less the 2 years**	**Total undiscounted cash flows**	**Carrying amounts**
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2013					
Trade and other payables	—	32,313	—	32,313	32,313
Borrowings *(Note)*	6.93	22,144	—	22,144	20,708
Obligations under finance lease	6.88	405	296	701	667
		54,862	296	55,158	53,688
At 31 March 2014					
Trade and other payables	**—**	**30,503**	**—**	**30,503**	**30,503**
Amount due to a related company	**—**	**20**	**—**	**20**	**20**
Borrowings *(Note)*	**8.99**	**28,719**	**—**	**28,719**	**26,350**
		59,242	**—**	**59,242**	**56,873**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

7. FINANCIAL INSTRUMENTS (CONTINUED)

e. Liquidity risk management (continued)

Note: Included in interest-bearing bank loans of the Group are term loans with an aggregate principal amounting to approximately HK$7,350,000 (2013: HK$20,708,000) of which the respective loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the Directors do not believe that these loans will be called in their entirely within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the consolidated financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

f. Fair value measurements

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

a. Revenue

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

b. Segment information

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

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

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

b. Segment information (continued)

i. *Segment revenue and results, assets and liabilities and other information*

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

	Retailing and Distribution					
	Mainland China HK$'000	Hong Kong and Macao HK$'000	Sub-total HK$'000	CDM Sales HK$'000	Eliminations/ unallocated HK$'000	Consolidated HK$'000
Year ended 31 March 2013						
Revenue						
External sales	32,297	12,185	44,482	146,736	—	191,218
Internal sales	—	—	—	13,081	(13,081)	—
Segment revenue	32,297	12,185	44,482	159,817	(13,081)	191,218
Results						
Segment results	(51,741)	(11,676)	(63,417)	14,930	3,842	(44,645)
Unallocated expenses						(54,254)
Loss before tax						(98,899)
Assets						
Segment assets	147,608	29,126	176,734	359,211	(335,532)	200,413
Investment properties						17,558
Unallocated assets						1,215
Total assets						219,186
Liabilities						
Segment liabilities	385,086	103,504	488,590	457,525	(880,997)	65,118
Unallocated 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 investment properties	—	—	—	—	428	428
Amortisation of prepaid lease payments	—	—	—	582	—	582
Amortisation of intangible assets	1,500	—	1,500	—	—	1,500
Impairment losses recognised in respect of trade receivables	—	—	—	5,828	—	5,828
Impairment losses recognised in respect of other receivables	395	—	395	36	—	431
Impairment losses recognised in respect of intangible assets	—	593	593	—	—	593
Impairment losses recognised in respect of inventories	17,453	—	17,453	1,242	—	18,695
Additions to property, plant and equipment	889	—	889	964	—	1,853
Gains on disposals of property, plant and equipment	(53)	—	(53)	—	—	(53)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

b. Segment information (continued)

i. Segment revenue and results, assets and liabilities and other information (continued)

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

	Retailing and Distribution					
	Mainland China HK$'000	Hong Kong and Macao HK$'000	Sub-total HK$'000	CDM Sales HK$'000	Eliminations/ unallocated HK$'000	Consolidated HK$'000
Year ended 31 March 2014						
Revenue						
External sales	39,180	9,869	49,049	124,187	—	173,236
Internal sales	—	—	—	8,165	(8,165)	—
Segment revenue	39,180	9,869	49,049	132,352	(8,165)	173,236
Results						
Segment results	(22,574)	(4,313)	(26,887)	(52,261)	—	(79,148)
Unallocated income						4,714
Unallocated expenses						(31,144)
Loss before tax						(105,578)
Assets						
Segment assets	31,673	20,994	52,667	356,706	(313,264)	96,109
Investment properties						9,090
Unallocated assets						20,899
Total assets						126,098
Liabilities						
Segment liabilities	79,109	82,258	161,367	266,767	(391,463)	36,671
Unallocated liabilities						30,024
Total liabilities						66,695
Other information						
Depreciation of property, plant and equipment	1,297	117	1,414	3,976	1,970	7,360
Depreciation of investment properties	—	—	—	—	813	813
Amortisation of prepaid lease payments	—	—	—	539	—	539
Impairment losses recognised in respect of trade receivables	553	21	574	3,234	100	3,908
Reversal of impairment losses recognised in respect of other receivables	(691)	—	(691)	—	(76)	(767)
Impairment losses recognised in respect of intangible assets	—	1,247	1,247	—	—	1,247
Impairment losses recognised in respect of inventories	11,905	602	12,507	8,482	—	20,989
Additions to property, plant and equipment	2,004	—	2,004	1,948	1,912	5,864
Losses (gains) on disposals of property, plant and equipment	—	—	—	297	(18)	279
Written-off of property, plant and equipment	2,536	—	2,536	11,064	—	13,600
Net gains on disposals of investment properties	—	—	—	—	(1,996)	(1,996)
Net gain on disposal of Disposed Companies	—	—	—	—	(474)	(474)

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

b. Segment information (continued)

i. Segment revenue and results, assets and liabilities and other information (continued)

The accounting policies of the above reportable and operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements.

Revenue reported above represents revenue generated from external customers. Internal sales represented transactions between the Group's subsidiaries in the Retailing and Distribution segment and the CDM Sales segment of HK$8,165,000 (2013: HK$13,081,000).

Segment results represents the profit or loss earned or incurred by each segment without allocation of items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable and operating segments other than investment properties, certain property, plant and equipment, certain other receivables, tax recoverable, deferred tax assets, pledged bank deposits and cash and cash equivalents.

- All liabilities are allocated to reportable and operating segments other than tax liabilities, deferred tax liabilities, certain other payables and borrowings.

ii. Geographical information

The following table provides an analysis of the Group's revenue from external customers based on the location where the goods were delivered:

	2014 **HK$'000**	2013 HK$'000
Europe	**72,501**	91,736
Hong Kong and Macao	**17,207**	19,150
The PRC, other than Hong Kong and Macao	**42,316**	32,551
Americas	**31,178**	33,860
Others	**10,034**	13,921
	173,236	191,218

The following table provides an analysis of the Group's non-current assets, excluding deferred taxation and financial instruments based on the geographical location of the assets:

	2014 **HK$'000**	2013 HK$'000
Hong Kong and Macao	**10,701**	12,769
The PRC, other than Hong Kong and Macao	**38,878**	62,652
	49,579	75,421

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

c. Information about major customers

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the year:

	Reportable and operating segments	2014 HK$'000	2013 HK$'000
Customer A	CDM Sales	26,175	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

9. OTHER INCOME

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

10. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Other gains and losses comprise of:		
Net exchange gains	982	456
Net realised and unrealised losses on trading securities	—	(464)
(Losses) gains on disposals of property, plant and equipment	(279)	53
Written-off of property, plant and equipment	(13,600)	—
Net gains on disposals of investment properties	1,996	—
Net gains on disposals of Disposed Companies *(Note 34)*	474	—
Compensation for termination of licence fees	—	(800)
Impairment losses recognised in respect of trade receivables	(3,908)	(5,828)
Reversal of (impairment losses) recognised in respect of other receivables	767	(431)
Impairment losses recognised in respect of intangible assets	(1,247)	(593)
	(14,815)	(7,607)

11. FINANCE COSTS

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

12. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2014 HK$'000	2013 HK$'000
Staff costs (included directors' remuneration *(Note 13(a))*):		
Salaries, wages and other benefits	62,250	80,171
Share-based payment expenses for the Directors and employees	5,740	268
Contributions to defined contribution retirement plans	3,363	8,307
	71,353	88,746
Cost of inventories recognised as an expense, including impairment losses recognised in respect of inventories of approximately HK$20,989,000 (2013: HK$18,695,000)	155,021	147,388
Depreciation of property, plant and equipment	7,360	12,708
Depreciation of investment properties	813	428
Amortisation of prepaid lease payments	539	582
Amortisation of intangible assets, included in selling and distribution expenses	—	1,500
Share-based payment expenses for consultants	8,100	—
Auditor's remuneration	700	2,130
Operating leases charges in respect of office premises, shop and Director's quarters	19,627	29,877

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' and chief executives' emoluments

Details of the emoluments paid or payable to the Directors and chief executives are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 March 2013						
Executive directors						
Mr. Tse Hoi Chau *(note (i))*	—	1,866	—	3	—	1,869
Ms. Yip Ying Kam *(note (ii))*	—	8,010	—	15	268	8,293
Mr. Tse Chiu Kwan *(note (vi))*	—	3,786	—	5	—	3,791
Non-executive director						
Mr. Tse Chiu Kwan *(note (vi))*	—	2,054	—	5	—	2,059
Independent non-executive directors						
Mr. Lau Fai Lawrence	505	—	—	—	—	505
Mr. Lau Yiu Kit	459	—	—	—	—	459
Mr. Chan Shu Hung, Joseph *(note (v))*	300	—	—	—	—	300
Mr. Fan William Chung Yue *(note (vii))*	33	—	—	—	—	33
	1,297	15,716	—	28	268	17,309
Year ended 31 March 2014						
Executive directors						
Mr. Tse Hoi Chau *(note (i))*	—	5,595	—	15	1,440	7,050
Ms. Yip Ying Kam *(note (ii))*	—	6,927	—	15	268	7,210
Mr. Lin Shao Hua *(note (iii))*	—	770	—	—	1,440	2,210
Independent non-executive directors						
Mr. Lau Fai Lawrence	405	—	—	—	—	405
Mr. Lau Yiu Kit	405	—	—	—	—	405
Mr. Li Youhuan *(note (iv))*	135	—	—	—	—	135
Mr. Chan Shu Hung, Joseph *(note (v))*	302	—	—	—	—	302
	1,247	13,292	—	30	3,148	17,717

Notes:

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

ii. Ms. Yip Ying Kam was re-designated as executive director on 23 February 2012, and was resigned as the executive director on 13 April 2014.

iii. Mr. Lin Shao Hua was appointed as executive director on 28 June 2013.

iv. Mr. Li Youhuan was appointed as independent non-executive director on 1 October 2013.

v. Mr. Chan Shu Hung, Joseph was appointed as independent non-executive director on 29 June 2012, and was resigned as the independent non-executive director on 1 January 2014.

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

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

a. Directors' and chief executives' emoluments (continued)

Apart from the Directors, the Group has not classified any other person as a chief executive during the years ended 31 March 2014 and 31 March 2013.

During the years ended 31 March 2014 and 31 March 2013, no emoluments have been paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments during the years ended 31 March 2014 and 31 March 2013.

b. Employees' emoluments

Of the five individuals with the highest emoluments, three (2013: three) are Directors for the year ended 31 March 2014, details of whose emoluments are included in the disclosure in Note 13(a) above.

The emoluments of the remaining two (2013: two) individuals during the year ended 31 March 2014 were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other emoluments	**286**	1,293
Retirement benefit scheme contributions	**18**	25
Share-based payments	**2,592**	—
	2,896	1,318

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following band:

	2014	2013
Nil to HK$1,000,000	**—**	2
HK$1,000,000 to HK$2,000,000	**2**	—

During the current and prior years, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

14. DIVIDEND

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

15. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Hong Kong Profits Tax		
— Current year	(692)	(519)
— Over (under) provision in respect of prior years	247	(88)
	(445)	(607)
PRC Enterprise Income Tax ("PRC EIT")		
— Under provision in respect of prior years	(980)	—
Deferred tax		
— Current year *(Note 21)*	(1,317)	(9,522)
Income tax expense	(2,742)	(10,129)

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

Macao Complementary Tax is calculated at the maximum progressive rate of 12% (2013: 12%) on the estimated assessable profits arising from Macao for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

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 other relevant group entities incurred tax losses.

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

15. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Loss before tax	**(105,578)**	(98,899)
Tax calculated at the rate applicable to the tax jurisdictions concerned	**(25,831)**	(23,462)
Tax effect of expenses not deductible for tax purposes	**7,838**	10,473
Tax effect of income not taxable for tax purposes	**(2,293)**	(1,531)
Tax effect of deductible temporary differences not recognised	**325**	4,050
Write-down of deferred tax assets on temporary differences previously recognised	**1,727**	7,729
Tax effect of utilisation of temporary differences previously not recognised	**—**	(3,531)
Tax effect of tax losses not recognised	**20,255**	17,450
Tax effect of utilisation of tax losses previously not recognised	**(12)**	(2,807)
Under provision in respect of prior years	**733**	88
Others	**—**	1,670
Income tax expense	**2,742**	10,129

16. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately HK$108,299,000 (2013: HK$109,008,000) and the weighted average of 1,237,320,323 ordinary shares (2013: 1,237,320,323 ordinary shares) of the Company in issue during the year.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost							
As at 1 April 2012	45,271	18,289	36,800	8,610	12,549	18,636	140,155
Exchange adjustments	395	80	370	87	57	206	1,195
Additions	—	873	27	—	688	265	1,853
Transfer to investment properties	(11,211)	—	—	—	—	—	(11,211)
Disposals	—	(7,358)	(2,570)	(147)	(262)	(228)	(10,565)
As at 31 March 2013	34,455	11,884	34,627	8,550	13,032	18,879	121,427
Exchange adjustments	217	15	358	145	64	349	1,148
Additions	—	3,296	818	7	488	1,255	5,864
Disposals of subsidiaries	—	(498)	(122)	(66)	(1,261)	(991)	(2,938)
Other disposals	—	—	(15)	—	(2,848)	—	(2,863)
Written-off	(2,138)	—	(8,169)	(5,926)	—	(15,596)	(31,829)
As at 31 March 2014	32,534	14,697	27,497	2,710	9,475	3,896	90,809
Accumulated depreciation and impairments							
As at 1 April 2012	8,660	14,436	28,741	4,169	7,484	7,841	71,331
Exchange adjustments	70	77	297	44	38	92	618
Charge for the year	2,115	3,310	2,435	1,204	1,760	1,884	12,708
Transfer to investment properties	(1,626)	—	—	—	—	—	(1,626)
Eliminated on disposals	—	(7,329)	(2,239)	(128)	(199)	(143)	(10,038)
As at 31 March 2013	9,219	10,494	29,234	5,289	9,083	9,674	72,993
Exchange adjustments	36	34	269	73	49	170	631
Charge for the year	1,469	739	942	1,052	1,501	1,657	7,360
Eliminated on disposals of subsidiaries	—	(498)	(115)	(66)	(628)	(991)	(2,298)
Eliminated on other disposals	—	—	(13)	—	(2,407)	—	(2,420)
Written-off	(740)	—	(5,055)	(3,788)	—	(8,646)	(18,229)
As at 31 March 2014	9,984	10,769	25,262	2,560	7,598	1,864	58,037
Carrying amounts							
As at 31 March 2014	22,550	3,928	2,235	150	1,877	2,032	32,772
As at 31 March 2013	25,236	1,390	5,393	3,261	3,949	9,205	48,434

The above items of property, plant and equipment after taking into account of their estimated residual values, are depreciated on a straight-line basis on the following basis:

Buildings	Over the terms of the leases or 50 years, whichever is shorter
Leasehold improvements	Over the terms of the leases
Office equipment	5 to 10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Plant and machinery	5 to 10 years

As at 31 March 2014, certain of the Group's buildings with an aggregate carrying amount of approximately HK$7,034,000 (2013: HK$7,363,000) are erected on land held under medium-term land use rights in Hong Kong and while the rest are erected on land held under medium-term land use rights in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 March 2014, the application of obtaining the ownership certificates of buildings with an aggregate carrying amount of approximately HK$1,116,000 (2013: HK$1,176,000) are still in process.

The Group did not have any property, plant and equipment in respect of assets held under finance leases as at 31 March 2014. Included in the carrying amount of property, plant and equipment as at 31 March 2013, there was an amount of approximately HK$1,937,000 in respect of assets held under finance leases.

As at 31 March 2014, certain of the Group's buildings with net carrying amount of approximately HK$13,456,000 (2013: HK$11,724,000) were pledged as securities for certain borrowings and other banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

	2014 **HK$'000**	2013 HK$'000
Analysed for reporting purposes as:		
— Non-current assets	**7,717**	8,182
— Current assets	**551**	547
	8,268	8,729

As at 31 March 2014, the Group's prepaid lease payments of approximately HK$8,268,000 (2013: HK$8,729,000) are held under medium-term land use rights in the PRC.

The Group's prepaid lease payments are amortised on a straight-line basis over the terms of the leases or 50 years, whichever is shorter.

As at 31 March 2014, the Group has pledged its prepaid lease payments with the carrying amount of approximately HK$4,462,000 (2013: HK$5,497,000) to secure for borrowings granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

19. INVESTMENT PROPERTIES

	HK$'000
Cost	
As at 1 April 2012	8,519
Transfer from property, plant and equipment	11,211
Exchange adjustments	100
As at 31 March 2013	19,830
Disposals	(8,814)
Exchange adjustments	286
As at 31 March 2014	11,302
Accumulated depreciation	
As at 1 April 2012	213
Transfer from property, plant and equipment	1,626
Charge for the year	428
Exchange adjustments	5
As at 31 March 2013	2,272
Charge for the year	813
Eliminated on disposals	(892)
Exchange adjustments	19
As at 31 March 2014	2,212
Carrying amounts	
As at 31 March 2014	9,090
As at 31 March 2013	17,558

As at 31 March 2014, the Group's investment properties of approximately HK$9,090,000 (2013: HK$17,558,000) are erected on land held under medium-term land use rights in the PRC.

The Group's investment properties are depreciated on a straight-line basis over the terms of the leases or 50 years, whichever is shorter.

The fair values of the Group's investment properties were HK$20,325,000 (2013: HK$32,848,000) according to the valuation performed by an independent professional qualified valuer, Avista Valuation Advisory Limited ("Avista"), on an open market basis. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions.

The valuation of the Group's investment properties is classified as Level 2 of the fair value hierarchy. There were no transfers into or out of Level 2 during the year.

20. INTANGIBLE ASSETS

	Licence fees HK$'000	Trademarks HK$'000	Licence rights HK$'000	Total HK$'000
At cost				
At 1 April 2012	608	1,680	14,048	16,336
Additions	—	160	—	160
Written-off	(608)	—	—	(608)
At 31 March 2013 and 31 March 2014	—	1,840	14,048	15,888
Accumulated amortisation and impairments				
At 1 April 2012	608	—	12,548	13,156
Charge for the year	—	—	1,500	1,500
Written-off	(608)	—	—	(608)
Impairment loss recognised in profit or loss	—	593	—	593
At 31 March 2013	—	593	14,048	14,641
Impairment loss recognised in profit or loss	—	1,247	—	1,247
At 31 March 2014	**—**	**1,840**	**14,048**	**15,888**
Carrying amounts:				
At 31 March 2014	—	—	—	—
At 31 March 2013	—	1,247	—	1,247

The Group's intangible assets, such as licence fees and licence rights with finite useful lives are amortised on a straight-line basis on the following basis:

Licence fees	Over the period of the licence contracts
Licence rights	3 years

The trademarks related to the Group's brand name are considered to have indefinite useful lives and are not amortised.

During the year ended 31 March 2014, the management conducted a review of the Group's trademarks, having regard to the recurring losses of the relevant operation. These assets are used in the Group's reportable segment of Retailing and Distribution segment. Accordingly, an impairment loss of approximately HK$1,247,000 (2013: HK$593,000) has been recognised in respect of the Group's trademarks to the extent that the carrying amounts exceeded their recoverable amounts based on the best estimate by the management which has been included in the line item of other gains and losses in the consolidated statements of profit or loss.

The licence fees represented the fee paid for using certain trademark of third parties. During the year ended 31 March 2013, both the cost and accumulated amortisation of licence fees amounted to approximately HK$608,000 were written-off upon termination of licence contracts during that year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

21. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognised and the movements thereon, during the current and prior years.

	Accelerated tax depreciation	**Unrealised gains/losses and impairment losses on inventories**	**Impairment losses on trade and other receivables**	**Revaluation of intangible assets arising from business combination**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As 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)
As at 31 March 2013	**(7)**	**(1,727)**	**—**	**—**	**(1,734)**
Charged (credited) to profit or loss	**(410)**	**1,727**	**—**	**—**	**1,317**
Disposals of Disposed Companies *(Note 34)*	**(63)**	**—**	**—**	**—**	**(63)**
As at 31 March 2014	**(480)**	**—**	**—**	**—**	**(480)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	2013
	HK$'000	HK$'000
Deferred tax assets	**(628)**	(2,159)
Deferred tax liabilities	**148**	425
	(480)	(1,734)

As at 31 March 2014, the Group has deductible temporary difference of approximately HK$50,396,000 (2013: HK$48,888,000) in respect of allowances on inventories and trade and other receivables. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit will be available which the deductible temporary differences can be utilised.

21. DEFERRED TAXATION (CONTINUED)

As at 31 March 2014, the Group has unused tax losses of approximately HK$449,479,000 (2013: HK$362,721,000) available for offsetting against future profits. No deferred tax assets have been recognised as certain entities of the Group have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax loss may be carried forwards indefinitely except for those that will expire in the following years:

	2014 HK$'000	2013 HK$'000
Tax losses expiring:		
— Until 31 March 2015	59,073	59,073
— Until 31 March 2016	74,483	74,483
— Until 31 March 2017	62,465	62,465
— Until 31 March 2018	62,261	62,261
— Until 31 March 2019	69,792	—
	328,074	258,282

22. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	3,510	11,907
Work in progress	5,983	13,091
Finished goods	3,371	10,306
	12,864	35,304

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

23. TRADE AND OTHER RECEIVABLES

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

Notes:

a. Trade receivables

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

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

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

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

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

a. Trade receivables (continued)

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

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

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

	2014 HK$'000	2013 HK$'000
As at 1 April	6,348	12,902
Allowances	3,908	5,828
Disposals of subsidiaries	(24)	—
Written-off	—	(12,382)
Exchange adjustments	8	—
As at 31 March	10,240	6,348

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining past due receivables as, in the opinion of the Directors, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

Furthermore, in the opinion of the Directors, there has not been a significant change in credit quality of the Group's trade receivables which are neither past due nor impaired and the amounts are still considered recoverable based on the historical experience.

b. Advances to staff

Advances to staff are unsecured, interest free and repayable on demand.

c. The Group's trade and other receivables denominated in currencies other than HK$, the functional currency of the relevant group companies, was as follows:

	2014 HK$'000	2013 HK$'000
US$	22,625	17,396
RMB	22,261	27,085

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Particulars of amounts due from related companies are as follows:

	2014 HK$'000	Maximum amount outstanding during the year HK$'000	2013 HK$'000	Maximum amount outstanding during the year HK$'000
Great China Jewellery International Limited ("Great China")	120	120	—	—
Gain Win Holdings Limited ("Gain Win")	9	9	—	—
	129	129	—	—

Particulars of amount due to a related company are as follows:

	2014 HK$'000	2013 HK$'000
Great China	(20)	—

The amounts due from (to) related companies are unsecured, interest free and repayable on demand.

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2014 HK$'000	2013 HK$'000
Pledged bank deposits	999	201
Cash and cash equivalents	10,718	52,255
	11,717	52,456

As at 31 March 2014, the Group's bank balances carry interest at market rates ranged from 0.01% to 0.6% per annum (2013: 0.01% to 0.53% per annum).

The pledged bank deposits were secured for the banking facilities, which the banks provide bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

The Group's pledged bank deposits and cash and cash equivalents denominated in currencies other than HK$, the functional currency of the relevant group companies, were as follows:

	2014 HK$'000	2013 HK$'000
US$	1,101	4,022
RMB	2,125	39,578

The Group's cash and cash equivalents denominated in RMB is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

26. TRADE AND OTHER PAYABLES

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

Notes:

a. Trade payables

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

26. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

a. Trade payables (continued)

The Group's trade and other payables denominated in currencies other than HK$, the functional currency of the relevant group companies, was as follows:

	2014 HK$'000	2013 HK$'000
US$	2,381	4,809
RMB	27,226	32,006

b. Advances from third parties

The advances from third parties represent advances granted by two independent third parties and the amounts are unsecured, interest free and repayable on demand.

27. BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured borrowings from:		
— Banks		
— Current portion for repayment within one year	4,200	13,764
— Non-current portion for repayment after one year, which contains a repayment on demand clause	3,150	6,944
	7,350	20,708
— Others — repayable within one year	19,000	—
	26,350	20,708
Analysed for reporting purposes as:		
— Current liabilities	26,350	20,708

As at 31 March 2014, the bank loans agreement in respect of bank borrowings amounted to approximately HK$7,350,000 (2013: HK$20,708,000) contains a clause which gives the lender the right to demand repayment without notice or with notice period of less than 12 months at its sole discretion and therefore, the non-current portion of the bank loans is classified as a current liability.

At the end of the reporting period, the Group's borrowings carry interest rates at the following rates per annum:

Particulars	2014 Effective interest rates	2014 HK$'000	2013 Effective interest rates	2013 HK$'000
Variable rates bank borrowings	6.765%–7.315% per annum	7,350	6.765%–7.0725% per annum	20,708
Fixed rates other borrowings	10% per annum	19,000	N/A	N/A

27. BORROWINGS (CONTINUED)

The Group's borrowings denominated in currencies other than HK$, the functional currency of the relevant group companies, was as follows:

	2014 HK$'000	2013 HK$'000
RMB	7,350	20,708

As at 31 March 2014, the Group has pledged certain buildings and prepaid lease payments with net carrying amounts of approximately HK$13,456,000 and HK$4,462,000 (2013: HK$7,775,000 and HK$5,497,000) respectively to secure borrowings granted to the Group. In addition, Mr. Tse, one of the Directors of the Group, has provided personal guarantee to the extent of HK$19,000,000 to secure the other borrowings granted to the Group.

28. OBLIGATIONS UNDER FINANCE LEASES

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

	2014		2013	
	Present value of minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of minimum lease payments HK$'000	Total minimum lease payments HK$'000
Amount payable under finance leases:				
— Within one year	—	—	379	405
— In the second to fifth years, inclusive	—	—	288	296
	—	—	667	701
Less: Total future finance charges	N/A	—	N/A	(34)
		—		667
Analysed for reporting purposes as:				
— Non-current liabilities		—		288
— Current liabilities		—		379
		—		667

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets as set out in Note 17 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

29. SHARE CAPITAL

	2014 Number of shares '000	2014 Amount HK$'000	2013 Number of shares '000	2013 Amount HK$'000
Authorised:				
Ordinary shares of HK$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

No movements of the authorised and issued share capital of the Company during the current and prior years.

30. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. For member of the MPF Scheme, the Group contributes 5% or HK$1,250 in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the current and prior years are disclosed in Note 12 to the consolidated financial statements.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a Share Option Scheme which were adopted on 23 April 2008 whereby the Directors are authorised, at their discretion, to invite directors (including executive, non-executive and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers for the Group, to take up options at nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the schemes shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the schemes, unless the Company obtains a fresh approval from its shareholders. Notwithstanding this, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the schemes shall not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to any individual in any 12-month period shall not exceed 1% of the total number of shares in issue at any point in time, without prior approval from the Company's shareholders. Options granted to any individual who is a substantial shareholder of the Company or independent non-executive director or any of their respective associates in the 12-month period up to and including date of such grant in excess of 0.1% of the Company's share capital at the date of grant and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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.

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

					Number of share options		
Name of category of participant	**Particulars**	**Date of grant**	**Exercise price** HK$	**Exercise period**	**Outstanding as at 1 April**	**Granted during the year**	**Outstanding as at 31 March**
Year ended 31 March 2013							
Director							
Ms. Yip Ying Kam	Tranche H *(note (a))*	24 February 2012	0.222	24 February 2012 to 23 February 2015	6,000,000	—	6,000,000
	Tranche I *(note (a))*	24 February 2012	0.222	24 February 2015 to 23 February 2018	6,000,000	—	6,000,000
					12,000,000	—	12,000,000
Weighted average exercise prices					0.222	N/A	0.222
Year ended 31 March 2014							
Directors							
Ms. Yip Ying Kam	Tranche H *(note (a))*	24 February 2012	0.222	24 February 2012 to 23 February 2015	6,000,000	—	6,000,000
	Tranche I *(note (a))*	24 February 2012	0.222	24 February 2015 to 23 February 2018	6,000,000	—	6,000,000
Mr. Tse Hoi Chau	Tranche J *(note (b))*	28 March 2014	0.2618	28 March 2014 to 27 March 2019	—	12,000,000	12,000,000
Mr. Lin Shao Hua	Tranche J *(note (b))*	28 March 2014	0.2618	28 March 2014 to 27 March 2019	—	12,000,000	12,000,000
Employees	Tranche J *(note (b))*	28 March 2014	0.2618	28 March 2014 to 27 March 2019	—	24,000,000	24,000,000
Others	Tranche J *(note (b))*	28 March 2014	0.2618	28 March 2014 to 27 March 2019	—	60,000,000	60,000,000
					12,000,000	108,000,000	120,000,000
Weighted average exercise prices					0.222	0.2618	0.2578

Notes:

a. Pursuant to the Company's announcement dated 14 March 2014, Ms. Yip Ying Kam has tendered her resignation as executive director and vice chairman of the Company and also as director of all subsidiaries of the Company in which she is a director, which has become effective on 13 April 2014 and accordingly, the 12,000,000 share options granted to Ms. Yip Ying Kam were lapsed subsequent to 31 March 2014.

As at 31 March 2014, the options outstanding granted on 24 February 2012 had an exercise price of HK$0.222 (2013: HK$0.222) and a weighted average remaining contractual life of 2.40 years (2013: 3.40 years).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Notes: (continued)

b. Pursuant to the Company's announcement on 28 March 2014, a total of 108,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants, including the directors and employees of the Company and the consultants under the share option scheme adopted by the Company on 23 April 2008. Details of the share options granted are as follows:

Date of grant:	28 March 2014
Exercise price of share options granted:	HK$0.2618 per share
Number of share options granted:	108,000,000 share options
Closing price of the share on the date of grant:	HK$0.231
Exercise periods	28 March 2014 to 27 March 2019

Each of the share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK$0.2618 per share, which represents the higher of (i) the closing price of HK$0.231 per share as stated in the daily quotations sheet issued by HKSE on 28 March 2014, being the date of grant (the "Date of Grant"); (ii) the average closing price of HK$0.2618 per share as stated in the daily quotations sheet issued by HKSE for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the share of HK$0.10 each in the capital of the Company.

As at 31 March 2014, the options outstanding granted on 28 March 2014 had an exercise price of HK$0.2618 and a weighted average remaining contractual life of 4.99 years.

No share options were exercised during the current and prior years. Each option holder is entitled to subscribe for one ordinary share in the Company.

Share-based payment expenses of approximately HK$13,840,000 (2013: HK$268,000) has been included in the consolidated profit or loss for the year ended 31 March 2014 which gave rise to a share-based payment capital reserve and details are summarised as following:

a. During the financial year ended 31 March 2014, the fair value of the share options granted to the directors and employees of the Company was estimated at approximately HK$5,740,000 (2013: HK$268,000). The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

b. During the financial year ended 31 March 2014, the fair value of the share options granted to the consultants was estimated at approximately HK$8,100,000 (2013: Nil). In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the service received from the consultants was measured indirectly by reference to the fair value of the share option granted to the consultants and accordingly, the fair value was estimated at approximately HK$8,100,000 (2013: Nil).

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

The fair values of share options granted during the year were determined by the Directors with reference to a valuation performed by an independent valuer, Avista.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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:

Granted on	24 February 2012	24 February 2012	28 March 2014
Tranche	H	I	J
Fair value per share option at measurement date (HK$)			
— Directors	HK$0.098	HK$0.134	HK$0.120
— Employees	N/A	N/A	HK$0.108
— Consultants	N/A	N/A	HK$0.135
Exercise price (HK$)	HK$0.222	HK$0.222	HK$0.2618
Expected volatility (%)	69.56%	71.76%	74.3%
Expected option period (Years)	3 years	6 years	5 years
Risk-free rate (based on Hong Kong Exchange Fund Notes) (%)	0.350%	0.790%	1.474%
Expected dividend yield (%)	0%	0%	0%

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

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

As at 31 March 2014, the Company had 120,000,000 (2013: 12,000,000) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 120,000,000 (2013: 12,000,000) additional ordinary shares of the Company and additional share capital of HK$12,000,000 (2013: HK$1,200,000) and share premium of HK$18,938,400 (2013: HK$1,464,000) (before the issue expenses).

32. OPERATING LEASES

The Group as lessee

	2014 HK$'000	2013 HK$'000
Minimum lease payments paid under operating leases during the year		
— Office premises, shops and Directors' quarters	19,627	29,877

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

32. OPERATING LEASES (CONTINUED)

The Group as lessee (continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	9,006	11,269
In the second to the fifth years, inclusive	10,563	2,201
	19,569	13,470

Operating lease payments represent rentals payable by the Group for the Group's office premises, shops and Directors' quarters. Leases are negotiated for lease terms ranging from one to three years (2013: one to five years) at inception, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK$'000	2013 HK$'000
Within one year	226	665
In the second to the fifth years, inclusive	775	1,133
	1,001	1,798

Property rental income earned, net of direct outgoings during the year was approximately HK$896,000 (2013: HK$511,000). Certain of the Group's properties held for rental purposes, with a carrying amount of approximately HK$7,922,000, have been disposed of, since the end of the reporting period. The remaining properties are expected to generate rental yields of 2.5% (2013: 3.8%) on an ongoing basis. All of the properties held have committed tenants for the next 1 to 4 years (2013: 1 to 5 years).

33. OTHER COMMITMENTS

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

	The Group	
	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment that are contracted for but not provided in the consolidated financial statements	3,586	3,403

33. OTHER COMMITMENTS (CONTINUED)

b. At the end of the reporting period, the Group committed to pay royalties for several brands for manufacture and trading of fashion accessories with a minimum guaranteed royalty payments as follows:

	2014	2013
	HK$'000	HK$'000
Within 1 year	**—**	775

34. DISPOSAL OF SUBSIDIARIES

On 25 March 2014, the Company entered into a sale and disposal agreement with an independent third party and pursuant to which, the Company disposed of the entire/remaining equity interests in certain subsidiaries, namely Techjoy Limited, Artist Empire Gifts & Premium Mfy Limited, Artist Empire International Group Company Limited, Artplus Investment Limited, Hanberg (HK) Limited, Q'ggle Company Limited, Q'ggle Lingerie Company Limited and Elili Int'l Company Limited, which are inactive during the year (collectively referred to as the "Disposed Companies") to the third party for a total consideration of approximately HK$2,411,000, which was recorded as a receivable as at 31 March 2014 and the amount will be settled on or before 25 September 2014.

Consideration transferred

	HK$'000
Consideration recorded as receivable *(Note 23)*	2,411

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

	HK$'000
Net assets disposed of	
— Property, plant and equipment	640
— Deferred tax assets	7
— Trade and other receivables	1,914
— Amounts due from group companies	55,431
— Cash and cash equivalents	893
— Trade and other payables	(1,533)
— Amounts due to group companies	(94,657)
— Obligations under finance leases	(288)
— Deferred tax liabilities	(70)
Total identifiable net liabilities disposed of	(37,663)
Non-controlling interests	(241)
Other reserves	665
Cumulative exchange differences in respect of the net assets of Disposed Companies reclassified from equity to profit or loss upon the disposals of Disposed Companies	(50)
Waiver of amounts due from/to Disposed Companies — net	39,226
Gains on disposals of subsidiaries	474
Total consideration recorded as receivable *(Note 23)*	2,411

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

34. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Net cash outflow arising on the disposals of the Disposed Companies

	HK$'000
Cash consideration	—
Less: Cash and cash equivalents disposed of	(893)
	(893)

In the opinion of the Directors, the Disposed Companies disposed of during the year has no material impact on the Group's results and cash flows.

35. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

a. Related parties of the Company

The management considers that the following persons/entities are related parties of the Group:

Name of related party	Relationship with the Company
Great China	Ms. Yip Ying Kam, a director of the Company, is also a director of Great China
Gain Win	Ms. Yip Ying Kam, a director of the Company, is also a director of Gain Win

b. Transaction with related parties

Saved as disclosed in these consolidated financial statements, in the opinion of the Directors, during the year, the Group had the following transactions with a related party:

	2014 HK$'000	2013 HK$'000
Rental income receivable from:		
Great China	220	—

The terms of transactions were determined and agreed between the Group and the counter parties.

c. Balances with related parties

Saved as disclosed in these consolidated financial statements, in the opinion of the Directors, the Group did not have any significant balances with the related parties as at the ended of the reporting period.

35. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

d. Key management personnel remuneration

During the year ended 31 March 2014, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	16,183	18,518
Retirement benefit scheme contributions	77	58
Share-based payments	4,444	268
	20,704	18,844

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

36. COMPARATIVE FIGURES

During the year, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentation:

	Notes	**Previous reported** HK$'000	**As restated** HK$'000
Consolidated statement of profit or loss			
Other gains and losses	*a*	755	7,607
Administrative expenses	*a*	54,883	58,011
Other operating expenses	*a*	9,980	—
Consolidated statement of financial position			
Prepaid lease payments — non-current portion	*b*	8,729	8,182
Prepaid lease payments	*b*	—	547

Notes:

(a) Mainly impairment losses recognised in respect of trade receivables and other receivables and impairment losses recognised in respect of intangible assets were reclassified from "Administrative expenses" and "Other operating expenses" to "Other gains and losses" and "Administrative expenses".

(b) Prepaid lease payments-non-current portion of HK$547,000 was reclassified to prepaid lease payments as current asset.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

37. SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, the following events took place:

a. On 1 May 2014, the Group obtained a long-term borrowing of HK$8,000,000 from Mr. Tse which is repayable on 30 June 2015; and

b. On 24 June 2014, Mr. Tse and the Company entered into the Deed of Undertaking whereby Mr. Tse agreed to provide or procure financial support to the Company and/or the Group commencing on 24 June 2014 and until 30 June 2015.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2014** **HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*a*	**84,903**	160,678
CURRENT ASSETS			
Other receivables		**236**	—
Cash and cash equivalents		**3,430**	1,215
		3,666	1,215
CURRENT LIABILITIES			
Other payables		**15,772**	23,770
Borrowings		**19,000**	—
		34,772	23,770
NET CURRENT LIABILITIES		**(31,106)**	(22,555)
NET ASSETS		**53,797**	138,123
CAPITAL AND RESERVES			
Share capital		**123,732**	123,732
Reserves	*b*	**(69,935)**	14,391
TOTAL EQUITY		**53,797**	138,123

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

a. Interests in subsidiaries

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost and fair value of share options granted to employees of subsidiaries	163,885	163,885
Amounts due from subsidiaries	590,444	585,931
Less: Impairments	(669,426)	(589,138)
	84,903	160,678

During the year ended 31 March 2014, a number of the Company's subsidiaries had sustained losses and had net liabilities as at 31 March 2014. The Company assessed the Company's investments in subsidiaries and the recoverable amounts of the amounts due from the subsidiaries and as a result, impairment losses in respect of the Company's investments in subsidiaries and the amounts due from the subsidiaries of approximately HK$80,288,000 (2013: HK$113,864,000) was recognised during the year to write-down their 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.

b. Reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000 *(note below)*	Share-based payment capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2012	549,974	133,424	610	(547,619)	136,389
Loss and total comprehensive expense for the year	—	—	—	(122,266)	(122,266)
Recognition of equity-settled share-based payments	—	—	268	—	268
As at 31 March 2013	549,974	133,424	878	(669,885)	14,391
Loss and total comprehensive expense for the year	—	—	—	(98,166)	(98,166)
Recognition of equity-settled share-based payments	—	—	13,840	—	13,840
As at 31 March 2014	549,974	133,424	14,718	(768,051)	(69,935)

Note: The contributed surplus of the Company represented the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company at the time of the reorganisation of the Group in 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

39. SUBSIDIARIES

The following list contains the particular of the Company's subsidiaries, all are private limited liability company and the class of shares held is ordinary unless otherwise stated:

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company 2014 %	2013 %	Proportion of voting power held by the Company 2014 %	2013 %	Issued and fully paid-up/registered capital	Principal activities
Directly held by the Company								
Artist Star International Development Limited	British Virgin Islands ("BVI")	Hong Kong	100	100	100	100	1,000 ordinary shares of US$1 each	Investment holding
Indirectly held by the Company								
Alfreda Int'l Co. Ltd	Macao	Macao	100	100	100	100	MOP$50,000	Inactive
Artini International Company Limited	Hong Kong	Hong Kong	100	100	100	100	300,000 ordinary shares of HK$1 each	Retailing of fashion accessories
Artini Sales Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire Gifts & Premium Mfy. Limited	Hong Kong	Hong Kong	—	100	—	100	10,000 ordinary shares of HK$1 each	Inactive
Artist Empire International Group Company Limited	Hong Kong	Hong Kong	—	100	—	100	10,000 ordinary shares of HK$1 each	Inactive
Artist Empire Jewellery Enterprise Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Mfy. Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire (Hai Feng) Jewellery Mfy. Limited *(Note below)*	PRC	PRC	100	100	100	100	HK$102,600,000	Manufacturing and sale of fashion accessories
Artist Empire Silver Jewellery Mfy. Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Inactive
Artplus Investment Limited	Hong Kong	Hong Kong	—	100	—	100	10,000 ordinary shares of HK$1 each	Inactive
Arts Empire Macao Commercial Offshore Limited	Macao	Macao	100	100	100	100	MOP 200,000	Trading of fashion accessories and related raw materials
Bo-Wealth (Shenzhen) Trading Co. Ltd. *(Note below)*	PRC	PRC	100	100	100	100	HK$1,500,000	Trading of fashion accessories
Elili International Limited	Hong Kong	Hong Kong	—	100	—	100	100 ordinary shares of HK$1 each	Inactive
Gain Trade Enterprise Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Investment holding
Gentleman Investments Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Investment holding
Glamm International Trading (Dalian) Co., Ltd. *(Note below)*	Hong Kong	Hong Kong	—	100	—	100	10,000 ordinary shares of HK$1 each	Investment holding
Hanberg (HK) Limited	Hong Kong	Hong Kong	—	100	—	100	1 ordinary share of HK$1 each	Inactive
Ho Easy Limited	BVI	Hong Kong	100	100	100	100	1 ordinary share of US$1 each	Investment holding
Instar International Company Limited	BVI	Hong Kong	100	100	100	100	100 ordinary shares of US$1 each	Investment holding
JCM Holding Limited	BVI	Hong Kong	100	100	100	100	500 ordinary shares of US$1 each	Investment holding
Keon Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Provision of logistics services
King Erich International Development Limited	BVI	Hong Kong	100	100	100	100	300 ordinary shares of US$1 each	Investment holding
King Land Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Trading of fashion accessories and related raw materials
Q'ggle Company Limited	Hong Kong	Hong Kong	—	100	—	100	100 ordinary shares of HK$1 each	Inactive
Q'ggle Lingerie Company Limited	Hong Kong	Hong Kong	—	84.97	—	84.97	7,500,000 ordinary shares of HK$1 each	Inactive
Riccardo International Trading Limited	BVI	Hong Kong	100	100	100	100	700 ordinary shares of US$1 each	Investment holding
Shenzhen Artini Hongli Enterprises Co., Ltd. *(Note below)*	PRC	PRC	100	100	100	100	HK$200,000,000	Retailing of fashion accessories
TCK Company Limited	BVI	Hong Kong	100	100	100	100	100 ordinary shares of US$1 each	Trading of fashion accessories and related raw materials
TechJoy Limited.	BVI	Hong Kong	—	100	—	100	100 ordinary shares of US$1 each	Investment holding

Note: These entities are wholly owned foreign enterprises established in the PRC. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.