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# ARTINI

## ARTINI CHINA CO. LTD.

### 雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board (the “Board”) of directors (the “Directors”) of Artini China Co. Ltd. (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2010, with comparative figures for the preceding financial year ended 31 March 2009, as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>Turnover</b>	3, 9	366,119	564,101
Cost of sales		<u>(190,342)</u>	<u>(326,493)</u>
<b>Gross profit</b>		175,777	237,608
Other revenue	4	2,850	5,504
Other net loss	4	(1,794)	(122)
Selling and distribution costs		(210,192)	(302,985)
Administrative expenses		(55,939)	(54,336)
Other operating expenses		<u>(9,185)</u>	<u>(23,310)</u>
<b>Loss from operations</b>		(98,483)	(137,641)
Finance costs	5(a)	(1,256)	(1,022)
Share of loss of an associate		<u>(88)</u>	<u>—</u>
<b>Loss before taxation</b>	5	(99,827)	(138,663)
Income tax	6	<u>(622)</u>	<u>(1,866)</u>
<b>Loss attributable to equity shareholders of the Company</b>		<u><u>(100,449)</u></u>	<u><u>(140,529)</u></u>
<b>Loss per share (HK\$)</b>	8		
Basic and diluted		<u><u>(0.098)</u></u>	<u><u>(0.145)</u></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(100,449)</b>	(140,529)
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>778</u>	<u>1,408</u>
<b>Total comprehensive income for the year</b>	<b><u>(99,671)</u></b>	<b><u>(139,121)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b><u>(99,671)</u></b>	<b><u>(139,121)</u></b>

# CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
— Investment property		3,492	3,766
— Property, plant and equipment		74,773	66,803
— Interests in leasehold land held for own use under operating leases		20,090	20,962
Intangible assets		2,935	6,311
Interest in an associate		410	—
Rental deposits		7,993	13,095
Deferred tax assets		11,263	10,146
		<u>120,956</u>	<u>121,083</u>
<b>Current assets</b>			
Trading securities		21,126	—
Inventories		70,311	56,327
Trade and other receivables	10	141,735	57,956
Current tax recoverable		964	1,477
Cash and cash equivalents		191,431	277,897
		<u>425,567</u>	<u>393,657</u>
<b>Current liabilities</b>			
Trade and other payables	11	61,486	49,501
Convertible bonds		15,620	—
Embedded financial derivatives		2,644	—
Bank loans		—	420
Obligations under finance leases		233	181
Current tax payable		1,458	1,083
		<u>81,441</u>	<u>51,185</u>
<b>Net current assets</b>		<u>344,126</u>	<u>342,472</u>
<b>Total assets less current liabilities</b>		<u>465,082</u>	<u>463,555</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		231	—
Deferred tax liabilities		1,659	2,030
		<u>1,890</u>	<u>2,030</u>
<b>NET ASSETS</b>		<u>463,192</u>	<u>461,525</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		111,654	99,224
Reserves		351,538	362,301
<b>TOTAL EQUITY</b>		<u>463,192</u>	<u>461,525</u>

## Notes:

### 1 COMPANY BACKGROUND AND BASIS OF PRESENTATION

#### (a) Reporting entity

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

#### (b) Reorganisation

Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries now comprising the Group which was completed on 23 April 2008 to rationalise the group structure for the public listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus dated 2 May 2008 issued by the Company.

#### (c) Basis of presentation

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders (the “Controlling Shareholders”) before and immediately after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholders. Accordingly, this is considered a business combination under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) has been applied. The consolidated financial statements for the year ended 31 March 2009 have been prepared by using the merger basis of accounting as if the Group had been in existence throughout the year presented. The net assets of the combining companies are combined using the existing book values from the Controlling Shareholders’ perspective.

Accordingly, the consolidated income statement and consolidated statement of comprehensive income of the Group for the year ended 31 March 2009 include the results of operations of the companies comprising the Group for the year ended 31 March 2009 (or where the companies were established/incorporated at a date later than 1 April 2008 for the period from the date of establishment/incorporation to 31 March 2009) as if the companies now comprising the Group had been in existence throughout the year presented.

All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the Directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

#### (d) Basis of preparation

The consolidated results set out in the announcement do not constitute the Group’s financial statements for the year ended 31 March 2010 but are extracted from those financial statements. The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Improvements to HKFRSs (2009)
- Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- Amendments to HKAS 27, *Consolidated and separate financial instruments — cost of an investment in a subsidiary, jointly controlled entity, or associate*
- HK(IFRIC) 13, *Customer loyalty programmes*

The adoption of Improvements to HKFRSs (2008) and the amendments to HKFRS 2 and HK(IFRIC) 13 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters and more consistent with internal reporting provided to the Group's most senior executive management. As the Group's internal reporting to the Group's chief operating decision maker is disaggregated into segments based on business lines and on geographical areas, the adoption of HKFRS 8 has had no material impact on the general presentation of segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The Group has early adopted an amendment in the "Improvements to HKFRSs (2009)" which amended HKFRS 8 such that measure of total assets for each reportable segment is only required to be presented if it is regularly provided to the Group's chief operating decision maker. Segment assets are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets have not been presented in the financial statements.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

### 3 TURNOVER

The principal activities of the Group are design, manufacturing, retailing and distribution and concurrent design manufacturing (“CDM”) of fashion accessories.

Turnover represents the sales value of goods supplied to customers after deducting sales tax, value added tax, discounts and returns.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Retailing and distribution		
— Hong Kong and Macao	25,175	27,961
— The People's Republic of China (the “PRC”)	127,028	245,221
CDM	<u>213,916</u>	<u>290,919</u>
	<u><u>366,119</u></u>	<u><u>564,101</u></u>

### 4 OTHER REVENUE AND NET LOSS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	1,078	3,980
Government subsidies	1,168	1,155
Gross rental income from investment property	300	225
Dividend income from listed securities	120	—
Others	<u>184</u>	<u>144</u>
	<u><u>2,850</u></u>	<u><u>5,504</u></u>
<b>Other net loss</b>		
Net exchange (loss)/gain	(95)	253
Provision for long service payments	(740)	(387)
Net realised and unrealised losses on trading securities	(2,117)	—
Net gain on change in fair value of embedded financial derivatives	1,009	—
Net gain on disposal of property, plant and equipment	<u>149</u>	<u>12</u>
	<u><u>(1,794)</u></u>	<u><u>(122)</u></u>

## 5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>(a) Finance costs:</b>		
Interest on bank advances wholly repayable within five years	7	996
Interest on convertible bonds	1,242	—
Finance charges on obligations under finance leases	<u>7</u>	<u>26</u>
	<u><b>1,256</b></u>	<u><b>1,022</b></u>
<b>(b) Staff costs:</b>		
Contributions to defined contribution retirement plans	10,421	8,977
Equity-settled share-based payment expenses	7,554	6,869
Salaries, wages and other benefits	<u>116,553</u>	<u>149,002</u>
	<u><b>134,528</b></u>	<u><b>164,848</b></u>
<b>(c) Other items:</b>		
Depreciation		
— assets held under finance leases	10	303
— other assets	21,495	32,851
Amortisation of intangible assets	3,391	1,044
Cost of inventories	<u>190,342</u>	<u>326,493</u>

## 6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	136	276
Over-provision in respect of prior years	<u>(8)</u>	<u>(45)</u>
	----- 128	----- 231
<b>Current tax — PRC</b>		
Provision for the year	768	6,471
Under-provision in respect of prior years	<u>1,199</u>	<u>1</u>
	----- 1,967	----- 6,472
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(1,473)</u>	<u>(4,837)</u>
Income tax expense	<u>622</u>	<u>1,866</u>

*Notes:*

- (i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to income tax in Bermuda and the BVI.
- (ii) The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.
- (iii) Arts Empire Macao Commercial Offshore Limited was established as a Macao offshore company under the Macao Offshore Law and is exempted from the Macao Complementary Tax.
- (iv) Alfreda International Company Limited is subject to the Macao Complementary Tax. No provision is made during the year as the company sustained tax losses.
- (v) Pursuant to the Corporate Income Tax Law of the PRC (the “New Tax Law”), effective from 1 January 2008, the statutory income tax rate applicable to the Company’s subsidiaries in Shenzhen has changed from 15% to 25% progressively under a 5-year transition period from calendar years 2008 to 2012 (2008: 18%; 2009: 20%; 2010: 22%; 2011: 24%; 2012: 25%). For the subsidiary located in Hai Feng, the statutory income tax rate has changed from 24% to 25% from 1 January 2008. Under the New Tax Law, the Hai Feng subsidiary can continue to enjoy the unexpired tax holiday during which it is fully exempted from PRC corporate income tax for two years starting from their first profit-making year in 2005, followed by a 50% reduction in the PRC corporate income tax for three years through 2009.
- (vi) Under the New Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC entities. However, only the dividends attributable to the profits of the financial period starting from 1 January 2008 is subject to the withholding tax. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investor. Pursuant to a double tax arrangement between the PRC and Hong Kong, the Group is subject to a withholding tax at the rate of 5% for any dividend payments from certain of the Group’s PRC subsidiaries.



## 7 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Special dividend in respect of the previous financial year, approved and paid during the year, of HK\$Nil per share (2009: HK\$0.04 per share)	<u>—</u>	<u>40,000</u>

## 8 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 March 2010 is based on the loss attributable to equity shareholders of the Company of HK\$100,449,000 (2009: HK\$140,529,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2010 of 1,021,125,945 (2009: 965,847,261). The weighted average number of shares in issue during the year ended 31 March 2009 is calculated on the assumption that the 750,000,000 ordinary shares issued upon the Reorganisation were outstanding throughout the year.

### Weighted average number of ordinary shares

	<b>2010</b> <i>No. of shares</i>	2009 <i>No. of shares</i>
Issued ordinary shares at 1 April	<b>992,238,000</b>	—
Shares issued upon Reorganisation	—	750,000,000
Effect of shares issued under placing and public offering on 16 May 2008	—	218,493,151
Effect of shares issued under share placement	<b>17,835,616</b>	—
Effect of shares issued under share option schemes	<b>11,052,329</b>	—
Effect of shares repurchased	<u>—</u>	<u>(2,645,890)</u>
Weighted average number of shares at 31 March	<u><b>1,021,125,945</b></u>	<u>965,847,261</u>

Diluted loss per share equals to basic loss per share for the years ended 31 March 2010 and 2009 because the exercise of share options and conversion of convertible bonds would result in a decrease in the loss per share.

## 9 SEGMENT REPORTING

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

CDM : 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.

Retailing and distribution : the manufacture and sale of own brand fashion accessories.

### (a) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2010 and 2009 is set out below.

2010						
<u>Retailing and distribution</u>						
	Mainland China <i>HK\$'000</i>	Hong Kong and Macao <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	CDM sales <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	127,028	25,175	152,203	213,916	—	366,119
Inter-segment revenue	—	—	—	26,538	(26,538)	—
Reportable segment revenue	<u>127,028</u>	<u>25,175</u>	<u>152,203</u>	<u>240,454</u>	<u>(26,538)</u>	<u>366,119</u>
Reportable segment (loss)/profit	<u>(86,026)</u>	<u>(6,990)</u>	<u>(93,016)</u>	<u>47,806</u>		(45,210)
Unallocated income and expenses						<u>(55,239)</u>
Loss for the year						<u>(100,449)</u>
2009						
<u>Retailing and distribution</u>						
	Mainland China <i>HK\$'000</i>	Hong Kong and Macao <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	CDM sales <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	245,221	27,961	273,182	290,919	—	564,101
Inter-segment revenue	—	—	—	61,447	(61,447)	—
Reportable segment revenue	<u>245,221</u>	<u>27,961</u>	<u>273,182</u>	<u>352,366</u>	<u>(61,447)</u>	<u>564,101</u>
Reportable segment (loss)/profit	<u>(82,059)</u>	<u>(17,310)</u>	<u>(99,369)</u>	<u>10,705</u>		(88,664)
Unallocated income and expenses						<u>(51,865)</u>
Loss for the year						<u>(140,529)</u>

**(b) Reconciliations of reportable segment loss**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Loss</b>		
Reportable segment loss derived from Group's external customers	45,210	88,664
Share of loss of an associate	88	—
Net finance costs	1,256	1,022
Income tax expense	622	1,866
Unallocated head office and corporate expenses	<u>53,273</u>	<u>48,977</u>
Consolidated loss for the year	<u><u>100,449</u></u>	<u><u>140,529</u></u>

**(c) Geographical information**

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

*Revenue from external customers*

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong and Macao	53,207	113,299
Mainland China	130,809	272,709
Other parts of Asia	2,673	14,487
Americas	81,341	62,205
Europe	75,154	88,791
Africa	<u>22,935</u>	<u>12,610</u>
	<u><u>366,119</u></u>	<u><u>564,101</u></u>

**10 TRADE AND OTHER RECEIVABLES**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade debtors	40,780	37,066
Less: Allowance for doubtful debts ( <i>note 10(b)</i> )	<u>(344)</u>	<u>(2,960)</u>
	40,436	34,106
Rental deposits	10,799	14,198
Prepayment for purchase of raw materials	11,115	272
Prepayment for advertising service	10,000	—
Deposits for acquisition of businesses ( <i>note 10(c)</i> )	37,600	—
Temporary payments	10,343	—
Other prepayments and receivables	<u>21,442</u>	<u>9,380</u>
	<u><u>141,735</u></u>	<u><u>57,956</u></u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	<b>The Group</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	25,655	24,874
Less than 3 months past due	11,394	8,306
3 to 6 months past due	2,517	811
Over 6 months past due	870	115
Amounts past due	14,781	9,232
	<u>40,436</u>	<u>34,106</u>

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

(b) Impairment of trade debtors

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

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	2,960	591
Impairment loss recognised	198	17,490
Uncollectible amounts written off	(2,814)	(15,121)
At 31 March	<u>344</u>	<u>2,960</u>

At 31 March 2010, the Group fully provided specific allowances for doubtful debts for trade debtors which were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the prospect of recovery of the receivables was remote.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are set out in note 10(a).

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

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

**(c) Deposits for acquisition of businesses**

On 25 January 2010, the Group entered into a memorandum of undertaking to acquire a company which holds a licence for manufacture and trading of a sport brand accessories and HK\$22,600,000 was paid by the Group to the shareholder of the company as a deposit.

On 10 March 2010, the Group entered into a memorandum of undertaking to purchase 20% equity interest in another company which is engaged in trading of food products and HK\$15,000,000 was paid by the Group to the shareholder of the company as a deposit.

According to the terms stated in the memoranda of undertaking, these deposits would be refunded if the business acquisitions were called off, otherwise, the deposits would be treated as part of the acquisition considerations. Up to the date of issuance of the financial statements, the Directors are in the process of negotiating with the target companies on the terms of the business acquisitions and due diligence studies have yet been performed on the target companies.

**11 TRADE AND OTHER PAYABLES**

	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	<b>8,329</b>	6,567
Receipts in advance	<b>17,611</b>	11,929
Value added tax and other tax payable	<b>6,170</b>	3,497
Provision for onerous contracts	<b>2,094</b>	—
Accrued charges and other payables	<b>27,175</b>	27,401
Amounts due to related parties	<b>107</b>	107
	<b>61,486</b>	49,501

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

Amounts due to related parties are unsecured, interest-free and repayable on demand.

**Ageing analysis**

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
By date of invoice:		
Within 3 months	<b>8,268</b>	5,718
More than 3 months but within 6 months	<b>53</b>	—
More than 6 months but within 1 year	<b>8</b>	541
Over 1 year	<b>—</b>	308
	<b>8,329</b>	6,567

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2010.

### **“Basis for Qualified Opinion**

During the course of our audit of the consolidated financial statements for the year ended 31 March 2010, it came to our attention that payments amounting to HK\$76.7 million and receipts amounting to HK\$66.4 million as recorded in the temporary payment accounts of certain companies of the Group were not substantiated with relevant supporting documents. The outstanding receivable balances relating to these transactions amounted to HK\$10.3 million as at 31 March 2010 as disclosed in note 20 to the consolidated financial statements included as “trade and other receivables”. There is insufficient evidence available to us to ascertain the validity of the recorded transactions and balances related to the temporary payment accounts. We are therefore unable to satisfy ourselves that these transactions were properly accounted for and disclosed or that the outstanding amounts receivable were recoverable.

Further, as stated in note 20(c) to the consolidated financial statements, deposits for acquisition of businesses amounted to HK\$37.6 million as at 31 March 2010. The directors considered that the Group is able to recover the deposits paid either in the way of refund or as part of the business acquisition considerations. However, we were unable to obtain sufficient documentation to evaluate the recoverability of these deposits paid. Accordingly, we were unable to satisfy ourselves that the above-mentioned deposits were fairly stated as at 31 March 2010.

Any consequential effect in connection with the above matters would affect the net assets of the Company and the Group as at 31 March 2010 and the Group's net loss for the year ended 31 March 2010, and the related disclosures in the financial statements.

### **Qualified Opinion Arising from Limitation of Audit Scope**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amounts of the above-mentioned deposits and other receivables as at 31 March 2010, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 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.”

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

During the year ended 31 March 2010 (the “Year”), the economic performance of the PRC has outperformed other major systems, being the only major economic system achieving a growth in annual Gross Domestic Product (“GDP”) in the calendar year 2009. According to the statistics provided by the National Bureau of Statistics of China, in the first half of 2009, the GDP of the PRC recorded a growth of 7.1% over the corresponding period last year. Its GDP grew at 6.1% in the first quarter and even achieved 7.9% in the second quarter, reflecting a stable recovery of the domestic economy in the first half of 2009. Meanwhile, the total retail sales of social consumers in the first quarter of 2009 recorded a growth of 15.0% over the

corresponding period last year, showing that the continuous stable growth in consumer confidence and boosting the development in retail industry. During the Year under review, the Group has undergone business restructure for effectively improving the profitability of the retail stores. In the view of the stable growth in domestic economy and the high demand for fashionable accessories among consumers, the Group will enhance the expansion of creative sales channels and increase the market permeability, grasping the opportunity arising from the next consumption growth for maximizing the shareholders' returns.

## **BUSINESS REVIEW**

For the Year, the Group recorded a total turnover of approximately HK\$366,119,000 (2009: HK\$564,101,000), representing a decrease of 35.1% over the previous year, which is mainly caused by the Group's strategic restructure of overall business development as well as the active adjustment made on the number of sales points and discount rates for agents in response to the market situation. Gross profit was HK\$175,777,000 (2009: HK\$237,608,000), representing a decline of 26.0% over last year. However, with the success of the Group's stringent cost control and adjustments on the operational strategies, our gross profit margin increased to 48.0% from 42.1% for the previous year while the loss for the Year attributable to the equity shareholders of the Company was HK\$100,449,000 (2009: HK\$140,529,000). The reduction in loss is mainly contributed by the improvement of the gross profit margin for the Year. The loss per share was HK\$0.098 (2009: HK\$0.145).

The Board does not recommend to declare the final dividend for the year ended 31 March 2010 (2009: HK\$Nil).

### **Retail Business**

The Group developed its retail business through the "multi-brand strategy", including "Artini", "Q'ggle", "Q'ggle Lingerie", "NBA", "Barbie" and "Disney". During the Year, the Group has successfully signed a license agreement with legendary football player Pelé and Italian Football Federation and was granted the non-exclusive licence and rights for using the source materials and trademarks for its design, production, global wholesales and retail.

During the Year, the Group has continued its stringent cost control by undergoing internal resources integration, streamlining the labour structure and cutting down the expenses. It also had active negotiation with raw materials suppliers and closed the retail stores with high rentals, in order to lower the production and operation costs. As at 31 March 2010, the Group had approximately 150 retail points throughout the PRC, Hong Kong and Macao, covering more than 40 Chinese cities. Retail business recorded a turnover of HK\$152,203,000 (2009: HK\$273,182,000), accounting for approximately 41.6% of the Group's total turnover, which decreased by 44.3% over the previous year.

#### *1) Develop new marketing channel*

During the year, the Group has adjusted its marketing strategy and developed online shopping panel and agency business, which operate with lower cost. The Artini and Q'ggle online shopping malls were established. Furthermore, Q'ggle has expanded its business to the QQ website in tencent.com ("Tencent") and become one of its official auction sites. The enormous number of users of Tencent has expanded our source of customer. Moreover, online shopping saves the lengthy period of examination of application for online marketing licence. With the brand's popularity, our online marketing business has been developed with great efficiency.



The Group has also strengthened the development of online marketing with agency operation and expanded its sales network, in a cost effective and rapid manner, to every town and city other than the first tier cities in China. We have already reached agreements with 20 experienced retail sales agents to establish retail points in different parts of the country.

## 2) *Brand establishment and marketing promotion*

During the Year, the Group continued to adopt the promotion strategy featuring high efficiency and diversity. Other than advertisements on printed media such as fashion magazines, we have enhanced our popularity and promoted our products through outdoor advertisement boards, internet, word-of-mouth advertising, fashion shows, sponsoring entertainment programmes, TV dramas, etc.

## 3) *Customer relationship management plan*

Adopting the customer relationship management plan, the Group enhanced the loyalty of its customers. Till 31 March 2010, the number of prestige customer of Artini was 78,608, which shows an increase of 10%; the number of prestige customer of Q'ggle has increased by 68% and reached 36,373. Loyal customers contribute the major income for the Group. We developed new products that suit them through analyzing their shopping mode and strategically planning our promotion and related activities.

## **CDM Business**

The Group continued to develop its CDM business in the last annual term. We designed and manufactured products simultaneously for international renowned brands and sold to different parts of the world. With profound experience in accessories development and marketing and deep knowledge in global trend, we cooperated closely with international renowned brands including Marks & Spencer, Disney, Playboy, Tommy Hilfiger, Givenchy, Nine West, Nautica, Guess, Amway, Carolee, Tchibo, etc. Furthermore, the hang accessories we created for Hello Kitty, the ever green brand, to celebrate its 35th anniversary, has achieved unprecedented success. With the popularity of Hello Kitty and the premium quality of our craftsmanship, the product redemption programme in 7-11, the convenient store created a big hit in Hong Kong!

Artist Empire, an export brand developed by the Group, won recognition from overseas clients with its exceptional design and delicate technology. Relevant products are being sold in retail chain shops over European countries and the United States.

Regarding the mainland market, the Group has been expanding its business in the gift and premium market through providing one-stop gift and premium service to large-scaled enterprises in Mainland China. Our clients during the Year include China Mobile, Leconte, Amway, China Minsheng Bank, China Merchants Bank, etc. Moreover, we were proud to be one of the manufacturers of gift and premium for the Shanghai Expo. We have developed, designed and produced more than 70 items for the event. Each item features a number of series adopting different themes such as the China Pavilion and the Expo's mascot. Products were sold over 638 licensed retail shops in China.

Regarding international sport event, the Group has gained another victory after the Beijing Olympic by manufacturing and selling gifts and souvenirs for the Guangzhou Asian Games.

During the year, the CDM business reached 58.4% of the total turnover and HK\$213,916,000, showing a 26.5% decrease comparing with the figure in 2009 (HK\$290,919,000).

## FINANCIAL REVIEW

### Turnover

Turnover of the Group for the Year amounted to HK\$366,119,000, representing a decrease of 35.1% compared to the previous year.

### Retail business

The retail business was one of the two major revenue generators for the Year under review, accounting for 41.6% of the Group's total turnover (2009: 48.4%).

During the Year under review, turnover from our retail business decreased 44.3% to HK\$152 million. This decline was mainly driven by the weakened consumer purchasing power in the PRC market as a consequence of the global financial tsunami.

### Retail business turnover

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong and Macao	25,175	27,961
The PRC	<u>127,028</u>	<u>245,221</u>
Total	<u><u>152,203</u></u>	<u><u>273,182</u></u>

### CDM business

CDM business turnover recorded a year-on-year decrease of 26.5% to HK\$214 million during the Year under review, accounting for 58.4% of the Group's total turnover (2009: 51.6%). This decrease was mainly due to the slackened economic conditions in the US and Europe.

### 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 35.7%, 22.2%, 20.5% and 14.5% of the turnover respectively in 2010, compared to 48.3%, 11.0%, 15.7% and 20.1% in 2009.

### Cost of sales

Cost of sales decreased from approximately HK\$326,493,000 for the year ended 31 March 2009 to approximately HK\$190,342,000 for the year ended 31 March 2010, representing a decrease of approximately HK\$136,151,000. This was mainly due to the effective cost control.

### Gross profit

The overall gross profit of the Group decreased from HK\$237,608,000 in 2009 to HK\$175,777,000 in 2010, representing a decrease of 26.0%. The gross profit margin also increased from approximately 42.1% to approximately 48.0%, primarily due to the effective cost control and the increase in unit price of CDM products.

## **Operating expenses**

Operating expenses for the Year accounted for 72.7% of the Group's total sales, compared with 63.3% 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\$302,985,000 for the year ended 31 March 2009 to approximately HK\$210,192,000 for the year ended 31 March 2010, representing a decrease of approximately HK\$92,793,000. The reduction in selling and distribution costs was mainly attributable to the substantial decrease in the Group's rental and staff costs as a consequence of the expanded selling agency network.

The Group's administrative expenses primarily comprised fixed assets depreciation and staff costs for Directors and executives. These expenses amounted to HK\$55,939,000 for the Year under review, representing 15.3% of the Group's total sales, compared with 9.6% last year.

During the Year, other operating expenses decreased to HK\$9,185,000 (2009: HK\$23,310,000) mainly due to the decrease in the impairment loss on trade and other receivables from HK\$17,490,000 to HK\$6,160,000.

## **Loss attributable to equity shareholders of the Company**

Loss attributable to equity shareholders of the Company was HK\$100,449,000 (2009: HK\$140,529,000) for the Year under review.

## **Contingent liabilities**

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

## **Income tax**

During the Year under review, the income tax expense of the Group amounted to HK\$622,000 (2009: HK\$1,866,000). This reduction was mainly due to decreased profit contributions from the Group's PRC subsidiaries, resulting in decreased PRC tax payables.

## **Loss per share**

There was a decrease in loss per share from HK\$0.145 for the year ended 31 March 2009 to loss per share of HK\$0.098 for the Year.

## **Dividend**

The Board does not recommend the distribution of a final dividend for the Year (2009: HK\$Nil).

## **Foreign exchange exposure**

The main business activities of the Group take place in the PRC, the America, Europe and Hong Kong with most transactions settled in Renminbi, United States dollars and Hong Kong dollars. Accordingly, the Directors consider that the potential foreign exchange exposure of the Group is relatively limit. Moreover, the Group has not used any forward contracts or other derivative products to mitigate interest rate or exchange rate risks. The management of

the Group will, nonetheless, continue to monitor foreign currency risks and adopt prudent measures as appropriate since our financial policy explicitly prohibits the Group from participating in any speculative activities. During the Year under review, the Group recorded net exchange loss of approximately HK\$95,000.

### **Significant investments and acquisitions**

During the Year under review, the Group invested in 19.9% of a company, which has then become an associate of the Group, at an initial investment cost of HK\$498,000. Save as disclosed herein, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and associated companies. We continued to seek opportunities to acquire and cooperate with international customers in order to generate more returns for the shareholders and the Board will decide what the best available source of funding is for the investments and acquisitions when suitable opportunities arise.

### **Impairment loss on trade and other receivables**

For the Year, the impairment loss on trade and other receivables amounted to approximately HK\$6,160,000 (2009: HK\$17,490,000).

### **Employees and emoluments**

As at 31 March 2010, the Group had 2,290 employees. 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. In addition, share options are granted to selected employees based on their individual performance.

### **Liquidity and financial resources**

As at 31 March 2010, the Group's convertible bonds and obligations under finance leases amounted to HK\$15,620,000 and HK\$233,000 respectively. As at 31 March 2010, the Group's banking facilities were supported by (i) legal charges over the Group's leasehold land and buildings, which are all situated in Hong Kong, with carrying value of approximately HK\$11,897,000; and (ii) cross corporate guarantees given by the Company and certain of its wholly-owned subsidiaries. As at 31 March 2010, banking facilities available to the Group amounted to HK\$11,419,000 (2009: HK\$89,346,000), which were utilised by the Group to the extent of HK\$1,619,000 (2009: HK\$1,755,000).

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 15% as at 31 March 2010 (2009: 10%). The Group had time deposits and cash balances as at 31 March 2010 amounted to HK\$191,431,000 (2009: HK\$277,897,000).

Some of the Group's banking facilities are subject to capital requirements imposed by certain creditor banks. For the year ended 31 March 2009, the Group did not comply with one of the financial covenants imposed by a creditor bank. Upon discovery of the breach, the Directors have renegotiated with the related creditor bank and obtained a waiver in July 2009.

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.

## FUTURE PROSPECT

The year 2010 is a turning point for the sustainable development of the Group's business. The Group's business has been reorganized after experiencing a tough consolidation period last year. The Group is negotiating with a company which operates large-scale department store in Mainland China for developing business opportunities to sell the Group's two brands Artini and Q'ggle products, and sell each Group distributor's brands, such as NBA, Barbie, Disney, etc. in the department stores owned by this company which will enhance the Group's coverage and scale of business.

In addition, the Group is negotiating with an Italian brand agency to introduce the Company's brands to all provinces of the PRC, and to establish European lifestyle brand centers, which the Group's hope will become the youth fashion shopping centers, and to introduce wide range of European fashion brands and quality products to people all over the Mainland China. At the same time to create innovative retail concept to meet the youth passion for diversification trend of grade. Branded goods include all kinds of leisure bags, gift and fashion daily use. The brands distributed by the Group may significantly improve after duly finalized Cooperation Agreement and enhanced the whole level of the Group's goods. Looking forward, the Group hopes, based on this, to further acquire licences for international renowned brands to accelerate the development of the brand agency business.

Artini is aiming to become the first fashion accessories brand to cooperate with China Post Group Corporation ("China Post"). In July 2010, the Group has entered into a non-legally binding letter of intent with China Post Trade Development Co. Ltd ("CPT") to develop various postal related products issued by China Post, and sell in China Post and more than 60,000 post offices of China Post throughout the country and developing distribution channels for direct mail order for Artini's products via China Post network. CPT is an authorized representative of GuangDong Post Advertising Co., Ltd. (a wholly-owned subsidiary of China Post ("GuangDong Post")). Upon the confirmation of a binding agreement, Artini's products will be distributed in the post offices nationally and will reach every corner throughout China with the postal service of China Post.

Meanwhile, the Group has further expanded business opportunity via China Post and has signed a consignment agreement with GuangDong Post. Pursuant to the agreement, GuangDong Post will sell the Guangzhou Asian Games licensed products supplied and manufactured by the Group through franchise shops which are authorized by the Guangzhou Asian Games Organizing Committee; the Group will also provide related marketing support and staff training to Guangdong Post. It is intended that the first phase will start with opening 124 franchised shops in Guangdong, and expand to other provinces.

The Group will identify new customers of its CDM business throughout the world, particularly customers from developing countries such as China and Russia. In addition, from the perspective of the current gift market in which the Group cooperates and the global gift market, there is a big space to develop gifts and premium items. The Group will explore greater market opportunities by cooperating with large corporations to design and produce gift and premium items for the existing and target customers.

Against "independent travel" market and for the purpose of increasing recognition in Mainland China, the Group entered into an advertisement contract for a term of two years with a famous Hong Kong advertisement company in April 2010. Advertisement images of



Artini brand are shown in 38 huge outdoor billboards across Hong Kong, covering each main links, railways and hot tourist attractions of Hong Kong, which will make a deep impression on Artini brand in the mind of travelers from Mainland China.

With our high quality design and products, the Group seeks to extend creative elements of refinement and fashion into various fashionable women's daily necessities, and to establish "Artini exquisite ladies living concept", which formed a brand new fashion culture of women's daily necessities. The Board believes that the China fashion accessories market is filled with ample opportunities. The Group is set to welcome challenges and market opportunities ahead.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Practice**

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 Code on Corporate Governance Practices (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 2010.

Under provision A.2.1 of the CG Code, the roles of the Chairman and the chief executive officer ("CEO") should be separate and should not be performed by the same individual. The role of the Chairman was performed by Mr. Tse Chiu Kwan ("Mr. Tse"). Mr. Tse is one of the founders of the Group and possesses rich knowledge and experience of the jewellery industry and related industries. The Board believes that vesting the role of the Chairman in Mr. Tse provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders.

The Company has not appointed a CEO during the Year under review. The overall management of the Company was performed by Mr. Tse Chiu Kwan, Mr. Lin Shao Hua, Mr. Lau Yau Chuen, Louis and Ms. Ho Pui Yin, Jenny (resigned on 26 May 2010), all are the executive Directors who have extensive experience. Their respective area of profession spearheaded the Group's overall development and business strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and to determine the appointment of the position of CEO, if necessary.

### **Internal Control**

The Company has prepared an internal control report, covering all material controls, including financial and operation for the Year. The said internal control report compiled by the Company has been brought to the attention of the Board and the audit committee of the Company (the "Audit Committee"). The Board, having reviewed the effectiveness of the internal control system, concluded that the Group needs to further improve its internal control system.

The Company has established the internal control department to provide day-to-day management of the compliance and control of the Group and report to the Board on control and compliance matters. The internal control department is currently headed by Mr. Lau Yau Chuen, Louis, an executive Director since 26 May 2010, as Ms. Yip Ying Kam, the previous chairman of the internal control department, was re-designated to a non-executive Director, and they report directly to the Board. The primary responsibilities of the internal control department include review of internal control system and monitoring the compliance of the daily operating activities within the Group. In addition, it will carry out assessment in relation to the establishment of new company or entity and new products of the Group.

In light of the matters qualified by the Company's auditor, KPMG, in their opinion on the financial statements for the year ended 31 March 2010, the Board has established a committee comprising all of our independent non-executive Directors, and Mr. Lau Yau Chuen Louis who since 26 May 2010 was appointed as one of our Directors and has been in charge of our internal control department. The committee's scope is to look into items in the temporary payment account of the Company, internal controls relating to the Group's procedures for entering into commitments and documentary records and report their findings to the Board, including recommendations for improvements in internal controls and their subsequent implementation (to the extent appropriate). For this purpose, the Board will appoint SHINEWING Risk Services Limited to be the Company's consultant in reviewing the internal control system of the Company and to assist in this regard.

#### **Model Code for Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors (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 and its code of conduct regarding directors' securities transactions throughout the year ended 31 March 2010.

#### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year, except for the issue of 54,300,000 shares of the Company under the share option schemes and the placing of 70,000,000 new ordinary shares to investors in late December 2009 as set out below.

## FUND RAISING ACTIVITIES

For the purpose of strengthening the capital base raising funds for further development of the Group, the Group completed the following fund raising activities during the Year under review and after the reporting period:

- (a) On 15 December 2009, the Company and Fordjoy Securities and Futures Limited (the “Placing Agent”) entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, a total of 70,000,000 ordinary shares of HK\$0.10 each (with an aggregate nominal value of HK\$7,000,000) to certain independent places at a price of HK\$0.78 per placing share (the “Placing”). The closing price of the shares was HK\$0.91 on 15 December 2009. The completion of the Placing took place on 28 December 2009 and a total of 70,000,000 placing shares were issued. The net price per share is approximately HK\$0.753 and net proceeds of approximately HK\$52.7 million were raised and as at 31 March 2010, it had been fully utilised to further develop the Group’s retail business.

Details of the Placing have been published on the Company’s announcements dated 15 December 2009 and 28 December 2009.

- (b) On 15 January 2010, the Company and Standard Bank Plc (the “Subscriber”) entered into a subscription agreement pursuant to which the Subscriber has agreed to subscribe for the convertible bonds in the principal amount of HK\$20,000,000 (the “First Lot CB”).

On 1 April 2010, the Company and the Subscriber entered into a second subscription agreement pursuant to which the Subscriber has agreed to subscribe for the convertible bonds in the principal amount of HK\$20,000,000 (the “Second Lot CB”).

The conversion price of the First Lot CB and the Second Lot CB will be reset each day at an amount equal to the higher of: (a) 90% of the closing price of the shares, as quoted on the Stock Exchange, on the immediately preceding trading day; and (b) the minimum conversion price of the First Lot CB and the Second Lot CB respectively (the minimum conversion prices of the First Lot CB and the Second Lot CB are HK\$1.073 and HK\$0.733 respectively).

The completion of the First Lot CB and the Second Lot CB took place on 22 January 2010 and 13 April 2010 respectively. The net proceeds from the issue of the First Lot CB were approximately HK\$18,031,000, which was intended to be used as general working capital of the Group. The net proceeds from the issue of the Second Lot CB were approximately HK\$18,844,000 which was also intended to be used as general working capital of the Group, subject to the second subscription agreement and certain account charge.

Up to 17 May 2010, an aggregate principal amount of HK\$16,000,000 of the Second Lot CB has been converted into 19,441,323 shares. On 2 June 2010, the Company has redeemed all of the First Lot CB and the remaining Second Lot CB (at an aggregate principal amount of HK\$20,000,000 and HK\$4,000,000 respectively). The remaining net proceeds after the redemption on 2 June 2010 is approximately HK\$14,844,000, which will be utilised as intended.

Details of the First Lot CB and the Second Lot CB have been published on the Company’s announcements dated 15 January 2010, 22 January 2010, 1 April 2010, 13 April 2010 and 1 June 2010.



## AUDIT COMMITTEE

The Audit Committee was established on 23 April 2008 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, all are independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Ms. Chan Man Tuen, Irene and Mr. Fan William Chung Yue. The Audit Committee has held meetings with the Company's auditor, KPMG, to discuss the auditing, internal control and financial reporting matters of the Company. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2010 and the interim financial report for the six months ended 30 September 2009.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of Group's consolidated financial statements for the year ended 31 March 2010 is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.artini-china.com](http://www.artini-china.com).

The 2010 annual report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board  
**Artini China Co. Ltd.**  
**Tse Chiu Kwan**  
*Chairman*

Hong Kong, 29 July 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Tse Chiu Kwan, Mr. Lin Shao Hua and Mr. Lau Yau Chuen, Louis; the non-executive director of the Company is Ms. Yip Ying Kam; and the independent non-executive directors of the Company are Ms. Chan Man Tuen, Irene, Mr. Lau Fai Lawrence and Mr. Fan William Chung Yue.*