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Artini Holdings Limited

雅天妮集團有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 789)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

This announcement is made pursuant to Rule 13.09(2)(a) and Rule 13.49(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The board (the “Board”) of directors (the “Directors”) of Artini Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2021 (the “Year”), together with comparative figures for the preceding financial year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	4	79,397	227,568
Cost of sales		<u>(70,200)</u>	<u>(171,993)</u>
Gross profit		9,197	55,575
Other income	5	782	298
Other gains and losses, net	6	(4,542)	(68)
Selling and distribution expenses		(10,727)	(17,349)
Administrative expenses		(19,439)	(25,210)
Finance costs	7	<u>(165)</u>	<u>(75)</u>
(Loss)/profit before income tax	8	(24,894)	13,171
Income tax expense	9	<u>(1,727)</u>	<u>(2,190)</u>
(Loss)/profit for the year		<u>(26,621)</u>	<u>10,981</u>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Other comprehensive income/(expense):			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences arising on translation of foreign operations		<u>10,714</u>	<u>(7,577)</u>
Other comprehensive income/(expense) for the year, net of income tax		<u>10,714</u>	<u>(7,577)</u>
Total comprehensive (expense)/income for the year		<u>(15,907)</u>	<u>3,404</u>
			(represented)
(Loss)/earnings per share			
– Basic and diluted (HK\$)	<i>11</i>	<u>(0.024)</u>	<u>0.010</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,811	816
Goodwill		2,534	2,534
Right-of-use assets		3,951	741
Intangible assets		<u>28,278</u>	<u>31,021</u>
		<u>36,574</u>	<u>35,112</u>
CURRENT ASSETS			
Inventories		59,401	64,345
Trade and other receivables	12	67,388	50,473
Cash and bank balances		<u>18,901</u>	<u>49,042</u>
		<u>145,690</u>	<u>163,860</u>
CURRENT LIABILITIES			
Trade and other payables	13	7,878	7,880
Contract liabilities		872	9,164
Lease liabilities		1,287	865
Income tax payable		<u>11,308</u>	<u>19,154</u>
		<u>21,345</u>	<u>37,063</u>
NET CURRENT ASSETS		<u>124,345</u>	<u>126,797</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>160,919</u>	<u>161,909</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	5
Lease liabilities		<u>2,746</u>	<u>–</u>
		<u>2,746</u>	<u>5</u>
NET ASSETS		<u>158,173</u>	<u>161,904</u>
CAPITAL AND RESERVES			
Share capital		55,198	55,198
Reserves		<u>102,975</u>	<u>106,706</u>
TOTAL EQUITY		<u>158,173</u>	<u>161,904</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981 and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is Unit 1117, 11/F, Star House, No. 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The Group is principally engaged in sale of a wide selection of fashion accessories products mainly through the Group's self-operated online platform (the "Integrated Fashion Accessories Platform Business").

In the opinion of the Directors, the Company's immediate holding company is Walifax Investments Limited, a company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Tse Hoi Chau, the executive director and chairman of the Company, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Application of new/revised HKFRSs – effective 1 April 2020

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ⁶ Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁶
Amendment to HKAS 1	Disclosure of Accounting Policies ⁶
Amendment to HKAS 8	Definition of Accounting Estimates ⁶
Amendments to HKAS 16	Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁷
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ³
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 January 2023

⁷ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 – Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements have been presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

4. REVENUE AND SEGMENT INFORMATION

a. Revenue

Revenue represents the net amounts received and receivables that are derived from sales of fashion accessories products during the years ended 31 March 2021 and 2020.

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 (the "CODM"), for the purposes of resource allocation and assessment of segment performance.

Specifically, the Group's reportable and operating segments for the years ended 31 March 2021 and 2020 were as follows:

- | | |
|--|---|
| Integrated Fashion Accessories Platform Business | (i) Wholesale of a wide selection of fashion accessories products mainly through the Group's self-operated online platform. |
| | (ii) Others, consists of retail and distribution of fashion accessories products through third-party retail online platforms for retail customers in the People's Republic of China (the "PRC") and third party physical points of sale by authorised distributors and consignees in the PRC and Hong Kong, offline wholesale channels for trading of fashion accessories products to global wholesale customers and PRC wholesale customers. |

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:

	Integrated Fashion Accessories Platform Business			
	Fashion accessories online wholesales platform HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Year ended 31 March 2021				
Revenue (At point in time)				
Segment revenue – external sales	<u>44,310</u>	<u>35,087</u>	<u>–</u>	<u>79,397</u>
Results				
Segment results	<u>(7,153)</u>	<u>(37)</u>	<u>–</u>	<u>(7,190)</u>
Unallocated other losses				(2,505)
Unallocated expenses				
– Auditor's remuneration				(730)
– Depreciation of right-of-use assets				(366)
– Salaries and retirement benefit scheme				(5,108)
– Other professional fee				(6,696)
– Unallocated expenses				(2,276)
– Finance cost				(23)
Loss before income tax				<u>(24,894)</u>
Assets				
Segment assets	129,420	19,558		148,978
Unallocated assets				
– Property, plant and equipment				851
– Right-of-use assets				623
– Intangible assets				28,278
– Other receivables, prepayment and deposit				177
– Cash and bank balances				3,357
Total assets				<u>182,264</u>
Liabilities				
Segment liabilities	(8,296)	(4,778)		(13,074)
Unallocated liabilities				
– Other payables and accruals				(4,891)
– Lease liabilities				(656)
– Others				(5,470)
Total liabilities				<u>(24,091)</u>
Other information				
Depreciation of property, plant and equipment	–	(304)	(325)	(629)
Depreciation of right-of-use assets	–	(1,238)	(366)	(1,604)
Amortisation of intangible assets	–	–	(21)	(21)
Provision of impairment loss of intangible assets	–	(2,722)	–	(2,722)
Impairment loss recognised in respect of trade receivables	(371)	–	–	(371)
Impairment loss recognised in respect of other receivables	(495)	(10)	(1)	(506)
Equity settled share-based payment expenses	–	–	(8,976)	(8,976)
Provision of impairment loss of inventories	<u>(4,402)</u>	<u>–</u>	<u>–</u>	<u>(4,402)</u>

	Integrated Fashion Accessories Platform Business			
	Fashion accessories online wholesales platform HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Year ended 31 March 2020				
Revenue (At point in time)				
Segment revenue – external sales	204,142	23,426	–	227,568
Results				
Segment results	27,604	2,975	–	30,579
Unallocated income				44
Unallocated expenses				
– Auditor's remuneration				(730)
– Depreciation of right-of-use assets				(272)
– Salaries and retirement benefit scheme				(3,007)
– Other professional fee				(9,250)
– Unallocated expenses				(4,186)
– Finance cost				(7)
Profit before income tax				13,171
Assets				
Segment assets	119,367	21,849		141,216
Unallocated assets				
– Property, plant and equipment				625
– Right-of-use assets				160
– Intangible assets				31,020
– Other receivables, prepayment and deposit				86
– Cash and bank balances				25,865
Total assets				198,972
Liabilities				
Segment liabilities	(24,665)	(3,464)		(28,129)
Unallocated liabilities				
–Other payables and accruals				(4,759)
–Lease liabilities				(162)
–Others				(4,018)
Total liabilities				(37,068)
Other information				
Depreciation of property, plant and equipment	–	(222)	(291)	(513)
Depreciation of right-of-use assets	–	(797)	(272)	(1,069)
Amortisation of intangible assets	–	–	(37)	(37)

The accounting policies of the above reportable and operating segments are the same as the Group's accounting policies.

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales transactions between the Group's subsidiaries in the different segments during the years ended 31 March 2021 and 2020.

Segment results represent the loss incurred or profit earned 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 certain property, plant and equipment, right-of-use assets, intangible assets, other receivables, deposit paid and cash and bank balances.
- All liabilities are allocated to reportable and operating segments other than certain other payables and accruals, lease liabilities and deferred tax liabilities.

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:

	2021	2020
	HK\$'000	HK\$'000
America	39,249	143,616
The PRC, other than Hong Kong and Macao	35,065	19,116
Europe	2,663	13,109
Australia	1,577	3,282
Africa	420	502
Asian	318	5,320
Middle East	61	88
Russia	23	39,779
Hong Kong and Macao	21	2,756
	79,397	227,568

The following table provides an analysis of the Group's non-current assets based on the geographical location of the assets:

	2021	2020
	HK\$'000	HK\$'000
Hong Kong and Macao	1,474	783
The PRC, other than Hong Kong and Macao	35,100	34,329
	36,574	35,112

c. Information about major customers

Revenues from two customers of the Group's Integrated Fashion Accessories Platform Business segment amounted to HK\$38,951,000 (2020: Nil), which represent 10% or more of the Group's revenue.

5. OTHER INCOME

	2021	2020
	HK\$'000	HK\$'000
Interest income	14	81
Government subsidies (<i>Note (a)</i>)	194	–
Others	574	217
	782	298

Note:

- (a) Included in profit or loss is HK\$194,000 (2020: Nil) of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

6. OTHER GAINS AND LOSSES, NET

	2021	2020
	HK\$'000	HK\$'000
Other gains and (losses), net comprise of:		
Net exchange losses	(943)	(68)
Provision of impairment on intangible assets	(2,722)	–
Impairment loss recognised in respect of trade receivables	(371)	–
Impairment loss recognised in respect of other receivables	(506)	–
	(4,542)	(68)

7. FINANCE COSTS

	2021	2020
	HK\$'000	HK\$'000
Interest on lease liabilities	165	75
	165	75

8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs (included directors' remuneration)		
Salaries, wages and other benefits	5,364	8,703
Share-based payment expenses for the Directors and employees	3,308	–
Contributions to defined contribution retirement plans	266	716
	<u>8,938</u>	<u>9,419</u>
Auditor's remuneration	730	730
Cost of inventories recognised as an expense, including written-off of inventories	70,200	171,993
Provision of impairment loss of inventories	4,402	–
Depreciation of property, plant and equipment	629	513
Depreciation of right-of-use assets	1,604	1,069
Amortisation of intangible assets	21	37
Provision of impairment loss on intangible assets	2,722	–
Impairment loss recognised in respect of trade receivables	371	–
Impairment loss recognised in respect of other receivables	506	–
Short-term leases expenses	121	100

9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	–	2,921
– Under/(over)-provision in prior years	1,732	(722)
	1,732	2,199
Deferred tax		
– Current year	(5)	(9)
Income tax expense	<u>1,727</u>	<u>2,190</u>

According to the Inland Revenue (Amendment) Bill 2017 which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the “Regime”) is first effective for the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. The Hong Kong profits tax for the year ended 31 March 2020 is provided based on the Regime.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2021.

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% (2020: 25%) for the year.

The income tax expense for the years can be reconciled to the (loss)/profit before income tax expense as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit before income tax expense	<u>(24,894)</u>	<u>13,171</u>
Tax calculated at the rate applicable to the tax jurisdictions concerned	(2,569)	3,252
Tax effect of expenses not deductible for tax purposes	735	118
Tax effect income not taxable for tax purposes	(4)	(7)
Tax effect of deductible temporary differences not recognised	(5)	(11)
Utilisation of tax losses previously not recognised	–	(493)
Tax effect of tax losses not recognised	1,838	53
Under/(over)-provision in prior years	<u>1,732</u>	<u>(722)</u>
Income tax expense	<u>1,727</u>	<u>2,190</u>

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

11. (LOSS)/EARNINGS PER SHARE

On 11 September 2020, the Company completed the consolidation of shares in the issued shares of the Company whereby every five issued and unissued ordinary shares of HK\$0.01 each are consolidated into one consolidated ordinary share of HK\$0.05 each (the "Share Consolidation").

The calculation of basic (loss)/earnings per share is based on the loss for the year of approximately HK\$26,621,000 (2020: a profit of approximately HK\$10,981,000) and the weighted average of approximately 1,103,968,000 (2020: adjusted 1,103,968,000) in issue during the period, as adjusted to reflect the effect of the Share Consolidation. Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior period.

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share, as there were no potential dilutive ordinary shares in issue for the years ended 31 March 2021 and 2020.

12. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	17,179	3,649
Less: Allowances	<u>(371)</u>	<u>–</u>
Trade receivables, net	<u>16,808</u>	<u>3,649</u>
Other receivables (<i>note (b)</i>)	1,105	352
Less: Allowances	<u>(506)</u>	<u>–</u>
Other receivables, net	<u>599</u>	<u>352</u>
Trade and other deposits paid	49,512	43,613
Prepayments	<u>469</u>	<u>2,859</u>
	<u>67,388</u>	<u>50,473</u>

Notes:

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.

As at 31 March 2021 and 2020, included in other receivables were receivables from a few independent third parties.

(a) Trade receivables

The Group generally allows an average credit period of 30 to 60 days (2020: 30 to 60 days) to its customers. The ageing analysis of the Group's trade receivables presented (net of allowances) based on invoice date as at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	15,435	2,662
31 – 60 days	–	198
61 – 90 days	594	200
91 – 180 days	588	577
181 – 365 days	<u>191</u>	<u>12</u>
	<u>16,808</u>	<u>3,649</u>

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of each individual group entity:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Renminbi	2,023	2,474
United States Dollars	14,785	1,175
	16,808	3,649

Movement in loss allowance account in respect of trade receivables during the years are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
As at 1 April	–	–
Impairment loss recognised	371	–
As at 31 March	371	–

Other than the above allowances, the Group did not provide any allowances 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.

(b) Other receivables

Movement in loss allowance account in respect of other receivables during the years are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
As at 1 April	–	–
Impairment loss recognised	506	–
As at 31 March	506	–

Other than the above allowances, the Group did not provide any allowances 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 other receivables which are neither past due nor impaired and the amounts are still considered recoverable.

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	1,771	2,319
Other tax payables	3,096	3,174
Payrolls and staff cost payables	487	788
Other payables and accruals	<u>2,524</u>	<u>1,599</u>
	<u>7,878</u>	<u>7,880</u>

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit term of 30 to 90 days (2020: 30 to 90 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	1,501	1,921
More than 3 month less than 1 year	95	223
Over 1 year	<u>175</u>	<u>175</u>
	<u>1,771</u>	<u>2,319</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Year, the Group recorded a total revenue of approximately HK\$79,397,000 (2020: approximately HK\$227,568,000). Gross profit was approximately HK\$9,197,000 (2020: approximately HK\$55,575,000) for the Year and loss for the Year amounted to approximately HK\$26,621,000 (2020: a profit of approximately HK\$10,981,000).

BUSINESS REVIEW

The Group mainly engaged in fashion accessories business.

During the Year, the global and regional economies and political environment experienced a profound impact directly linked to the outbreak of COVID-19 (the “Pandemic”). Many countries adhered to the public health emergency measures and took actions to prevent the spread of the Pandemic. The Chinese government had imposed conditions and restrictions on enterprises about the resumption of work after the Chinese Lunar New Year, and controlled the flows of people and goods, while inbound travel restrictions and “lockdown” policy were in effect. The operating business and logistics network of goods delivery of the Group were affected; and the sales orders and sales volumes of fashion accessories products in overseas market were also delayed and reduced. However, the Group remained steadfast in its strategic focus while concurrently executed aggressive and proactive reform initiatives so as to overcome sudden crisis and addressed related challenges in which to minimize the negative impact.

During the Year, the revenue generated from fashion accessories online wholesales platform was approximately HK\$44,310,000 (2020: approximately HK\$204,142,000), representing a decrease of approximately 78.3%. The decrease of revenue was mainly due to the persistent impact of COVID-19, which resulted in the stagnation of global logistics; together with the quarantine measures implemented in Europe and America, the revenue generated from fashion accessories wholesales platform of the Group was decreased considerably.

During the Year, the revenue generated from other business was approximately HK\$35,087,000 (2020: approximately HK\$23,426,000), representing an increase of approximately 49.8%. The increase of revenue was mainly due to the increase in offline trading in China market of the Group. To combat with the influence in connection with the Pandemic, the Group zeroed in on adjusting its marketing directions and allocated more resources to innovative fashion accessories products as suited for the China market. Moreover, China was one of the first few countries in the world to be released from negative impact of COVID-19, and its consumption demand was revived significantly which led to the boost in the sales of the Group in China market.

Owing to the persistent impact of the Pandemic, the Group had implemented proactive measures during the Year so as to minimize the negative impact of COVID-19, among other, the main measures are as follows:

1. The Group took proactive measures to control operating expenses and optimized the internal cost structure to reduce operating costs, including the control over staff costs and the closure of offline retail spots. The Group's selling and distribution expenses for the Year decreased by 38.2% from approximately HK\$ 17,349,000 in 2020 to approximately HK\$10,727,000. The administrative expenses for the Year decreased 22.9% from approximately HK\$25,210,000 in 2020 to HK\$19,439,000.
2. The extensive global footprint of the Group minimized the risk of excessive dependence on single market. During the Year, the Group zeroed in on adjusting its marketing direction, such as focusing on development of more fashion accessories products to meet the needs of China market, so as to avoid over-reliance on a single market. The revenue from China market as a percentage of total revenue increased from 8.4% for the Previous Year to 44.2% for the Year, while the revenue from European and American markets as a percentage of total revenue decreased from 86.3% for the Previous Year to 52.8% for the Year.
3. During the Pandemic, the Group increased its own self-contained inventory, notwithstanding the suspension of work and operation from the suppliers, the operation of online and offline sales platforms could still be maintained.
4. The Group reinforced the youthful, artistic and fashionable image of "Artini", and accelerated the business transformation into a digitalized, Cloud-based and social media marketing online platform, so as to consolidate its competitiveness in the fashion accessories industry.

Prospect

Despite the widespread impact of COVID-19, the Group is motivated by the substantial advantage resulted from its business development and business platform, and is confident with the increment in revenue owing to the overall strategic planning and containment of COVID-19 around the globe.

From the aspect of the fashion accessories online wholesales platform, the Group is proactively developing new product line – semi-precious stone jewellery product line, so as to reduce the impact of a change in climate and trends of the fashion accessories. By developing new product lines, the Group will achieve product diversification for suiting different consumer demands.

The Group will continue to focus on the brand image of “Artini”, and the strategic development of third-party retail online platforms and social media marketing online platforms. With the rapid growth in the number of supporters, the Group will persist in maintaining and enhancing the brand image. Through relevant online channels to launch more fashion accessories products to meet the needs of consumers, in order to increase market share by exploiting new customers and new markets. The “Artini” brand will continue to upgrade its brand, to accelerate the pace of socialized marketing, and to zero in on product innovation, skills development and new product launch.

In addition, the Group is optimistic towards the China market. The Group believes, the internal demand will be the impetus of consumer demand and the overall economics under the “dual circulation” strategy introduced by the Chinese government. Subsequent to the increment of the disposable income per capita and the improvement of living standard in China, it is expected that Mainland China will sustain the momentum from consumption upgrade, whilst the consumers will increase their spending limits and incline towards the purchase of fashion accessories products with higher value. Therefore, the Group will allocate more resources to further expand the sales volumes in China.

The Group believes, from the long-term perspective, through prudent and effective capital and resources allocation, together with the omni-channel marketing in major markets, as well as online promotion and advertising activities, it will effectively improve the business performance of the Group. The Group will persist in assessing the current business strategies and will seek for suitable business opportunities, so as to create and explore new profit engines. It will then bring more stable development to the Group and ensure the interest of the shareholders of the Company.

After the global outbreak of the Epidemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across China and other countries. Up to the date of this announcement, the Epidemic is still affecting the business and economic activity worldwide. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made as at the date of this announcement.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Year amounted to approximately HK\$79,397,000 (2020: approximately HK\$227,568,000), representing a decrease of approximately 65.1% from that of 2020. The decrease in the Group's revenue during the Year was mainly due to the global outbreak of Epidemic in January 2020 with the decrease in the total number of customers and transactions.

Gross profit

The Group's gross profit for the Year was approximately HK\$9,197,000 (2020: approximately HK\$55,575,000), representing a decrease of approximately 83.5%. The Group's gross profit margin for the Year was approximately 11.6%, with the exclusion of the provision for inventories of approximately HK\$4.4 million, the gross profit margin will be resulted in approximately 17.1%. The decrease in the Group's gross profit during the Year was mainly due to the impact of the Epidemic which led to (i) the decrease in revenue; (ii) the offer of extra discounts to customers; and (iii) the provision for inventories.

Selling and distribution expenses

The Group's selling and distribution expenses for the Year was approximately HK\$10,727,000 (2020: approximately HK\$17,349,000), representing a decrease of approximately 38.2%. The decrease in the Group's selling and distribution expenses during the Year was mainly attributable to the decrease in the distribution costs such as logistics and shipping costs and the marketing and promotion expenses for the Group's fashion accessories business during the Year, and was in line with the decrease in the Group's revenue.

Administrative expenses

The Group's administrative expenses for the Year was approximately HK\$19,439,000 (2020: approximately HK\$25,210,000), representing a decrease of approximately 22.9%. During the Year, the Company recognised share-based payments expenses of approximately HK\$8,976,000 as a result of the share options granted during the Year (and no such expenses were recorded in the Previous Year). Excluding the share-based payments, the decrease in the Group's administrative expenses was mainly attributable to the decrease in professional fees incurred during the Year.

Loss/profit for the Year

As a result of the foregoing, the Group's loss for the Year was approximately HK\$26,621,000 (2020: a profit of approximately HK\$10,981,000).

Dividend

The Board does not recommend the payment of any final dividend for the Year (2020: Nil).

Capital structure

On 4 August 2020, the Board proposed to implement the share consolidation on the basis that every five (5) issued and unissued shares of the Company (the "Share(s)") of HK\$0.01 each be consolidated into one (1) Share of HK\$0.05 each.

The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company held on 9 September 2020. The number of issued Shares became 1,103,968,128 upon the Share Consolidation became effective on 11 September 2020 and the Shares continue to be traded in board lot size of 20,000 Shares.

Please refer to the announcements of the Company dated 4 August 2020 and 9 September 2020 respectively and the circular of the Company dated 24 August 2020 for details.

Save as disclosed herein, there has been no change in the capital structure of the Group during the Year. The capital of the Group only comprises ordinary shares.

Foreign exchange exposure

The major business activities of the Group take place in the PRC and Hong Kong. Accordingly, the potential foreign exchange exposure of the Group is mainly attributable to fluctuations of Renminbi. The Group has not used or has no plan to use any forward contract or other derivative products to hedge exchange rates exposure as the management considers it more difficult to monitor and manage the risks arising from such forward contracts or derivative products. The management of the Group will, nonetheless, continue to monitor the Group's foreign currency risks exposures and consider adopting prudent measures as appropriate.

Charges on assets

As at 31 March 2021 and 2020, the Group did not have any charges on its assets.

Significant Investments

There was no significant investment held by the Group during the Year.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Future Plans for Material Investments or Capital Assets

Apart from strengthening the Group's current business, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholder's value.

Employees and emoluments

As at 31 March 2021, the Group had 37 employees (2020: 48), and the total staff cost including Directors' emoluments amounted to approximately HK\$8,938,000 (2020: approximately HK\$9,419,000). To enhance the expertise, product knowledge, marketing skills and overall operational management skills of its employees, the Group organised regular training and development courses for its employees, and provided them with a competitive remuneration package, including salary, allowance, insurance, commission and bonus. Meanwhile, in order to create a harmonious and family-like working atmosphere, the Group emphasises on communication with employees and continually developing paths for staff promotion. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

Liquidity and financial resources

During the Year, the Group generally financed its operations with internally generated resources and its own working capital. As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$18,901,000 (2020: approximately HK\$49,042,000). As at 31 March 2021 and 2020, there was no undrawn general banking facilities available to the Group, and the Group did not have any outstanding borrowing. The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total equity. The gearing ratio of the Group was approximately 15.2% as at 31 March 2021 (2020: approximately 22.9%).

Capital commitments

As at 31 March 2021 and 2020, the Group did not have any significant capital commitments.

Contingent liabilities

As at 31 March 2021 and 2020, the Group had no significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, no material events happened subsequent to the Year and up to the date of this announcement.

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 of the Company (the “Shareholders”) as a whole. The Directors continuously observe the principles of good corporate governance in the interests of the Shareholders and devote considerable effort to identifying and formalising 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 Listing Rules. The Company has complied with all the provisions in the CG Code during the Year.

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.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 23 April 2008 with written terms of reference adopted by the Company on 29 February 2016 in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprised three members, all being independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Mr. Lau Yiu Kit and Mr. Ma Sai Yam. The Audit Committee has held meetings with the Company’s auditor, BDO Limited to discuss the auditing, risk management and internal control systems and financial reporting matters of the Group. The Audit Committee has reviewed the Group’s consolidated financial statements for the Year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year.

The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement of the Group's annual results for the Year is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.artini.com.hk.

The 2021 annual report of the Company will be dispatched to the Shareholders and will be made available on the above websites in due course.

By order of the Board
Artini Holdings Limited
Tse Hoi Chau
Chairman

Hong Kong, 25 June 2021

As at the date of this announcement, the executive directors of the Company are Mr. Tse Hoi Chau (Chairman), Ms. Yu Zhonglian and Mr. Tse Kin Lung; and the independent non-executive directors of the Company are Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Ma Sai Yam.