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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 2023

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 2023 (the “Year”), together with comparative figures for the preceding financial year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

| | <i>Notes</i> | 2023 <i>HK\$’000</i> | 2022 <i>HK\$’000</i> |
|-----------------------------------|--------------|--------------------------------|-------------------------|
| Revenue | 4 | 63,692 | 76,968 |
| Cost of sales | | <u>(47,513)</u> | <u>(62,915)</u> |
| Gross profit | | 16,179 | 14,053 |
| Other income | 5 | 163 | 77 |
| Other gains and losses, net | 6 | (1,081) | (3,626) |
| Selling and distribution expenses | | (10,253) | (23,701) |
| Administrative expenses | | (7,908) | (9,015) |
| Finance costs | 7 | <u>(25)</u> | <u>(165)</u> |
| Loss before income tax | 8 | (2,925) | (22,377) |
| Income tax credit | 10 | <u>1,490</u> | <u>–</u> |
| Loss for the year | | <u>(1,435)</u> | <u>(22,377)</u> |

| | <i>Notes</i> | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------|--------------------------------|------------------------|
| Other comprehensive (expense)/income: | | | |
| <i>Items that may be reclassified subsequently to profit and loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>(8,921)</u> | <u>4,956</u> |
| Other comprehensive (expense)/income for the year, net of income tax | | <u>(8,921)</u> | <u>4,956</u> |
| Total comprehensive expense for the year | | <u>(10,356)</u> | <u>(17,421)</u> |
| Loss per share | | | |
| – Basic and diluted (HK\$) | <i>11</i> | <u>(0.001)</u> | <u>(0.020)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 211 | 1,269 |
| Goodwill | | 2,534 | 2,534 |
| Right-of-use assets | | 211 | 721 |
| Intangible assets | | 25,150 | 28,278 |
| | | <u>28,106</u> | <u>32,802</u> |
| CURRENT ASSETS | | | |
| Inventories | | 42,697 | 47,607 |
| Trade receivables, contract assets and other receivables | 12 | 64,633 | 47,331 |
| Cash and bank balances | | 18,886 | 35,758 |
| | | <u>126,216</u> | <u>130,696</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 12,224 | 9,315 |
| Contract liabilities | | 411 | 1,153 |
| Lease liabilities | | 168 | 442 |
| Income tax payable | | 11,081 | 11,551 |
| | | <u>23,884</u> | <u>22,461</u> |
| NET CURRENT ASSETS | | <u>102,332</u> | <u>108,235</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>130,438</u> | <u>141,037</u> |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 42 | 285 |
| NET ASSETS | | <u>130,396</u> | <u>140,752</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 55,198 | 55,198 |
| Reserves | | 75,198 | 85,554 |
| TOTAL EQUITY | | <u>130,396</u> | <u>140,752</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is Office 3, 17/F, Shun Feng International Centre, No.182 Queen’s Road East, Wan Chai, 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 HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amended standards and interpretations

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

| | |
|--|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | Annual Improvements to HKFRSs 2018 – 2020 |

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s results and financial position for the current or prior period and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting year.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 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.

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to HKAS 16 Property, Plant and Equipment: 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.

These amendments had no impact on the consolidated financial statements of the Group.

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).

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to HKFRS1, HKFRS9, HKFRS16 and HKFRS41 Annual Improvements to HKFRSs 2018 – 2020

The annual improvements make amendments to the following standards:

- 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.

These amendments had no impact on the consolidated financial statements of the Group.

(b) New and amended standards 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 | Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised) ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback (amendments) ² |

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

² Effective for annual periods beginning on or after 1 January 2024

³ 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 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The amendments also deal with the classification of long-term loan arrangements with covenants by specifying that covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date. Instead, companies are required to disclose information about these covenants in the notes to the financial statements.

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 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

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 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the HKICPA retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

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 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

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 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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 Lease Liability in a Sale and Leaseback (amendments)

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Going Concern Assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(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 2023 and 2022.

b. Segment information

The Group’s operating segments, based on information reported to the board of Directors, 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 2023 and 2022 were as follows:

| | | |
|--------------------------------|------|--|
| Integrated Fashion Accessories | (i) | Wholesale of a wide selection of fashion accessories products mainly through the Group’s self-operated online platform. |
| Platform Business | (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 2023 | | | | |
| Revenue (At point in time) | | | | |
| Segment revenue – external sales | <u>59,906</u> | <u>3,786</u> | <u>–</u> | <u>63,692</u> |
| Results | | | | |
| Segment results | <u>10,714</u> | <u>(3,862)</u> | <u>–</u> | <u>6,852</u> |
| Unallocated other profits | | | | 121 |
| Unallocated expenses | | | | |
| – Auditor's remuneration | | | | (730) |
| – Depreciation of right-of-use assets | | | | (210) |
| – Salaries and retirement benefit scheme | | | | (1,812) |
| – Other professional fee | | | | (675) |
| – Unallocated expenses | | | | (6,460) |
| – Finance costs | | | | (11) |
| | | | | <u>(2,925)</u> |
| Loss before income tax | | | | |
| | | | | <u>(2,925)</u> |
| Assets | | | | |
| Segment assets | 121,805 | 3,174 | – | 124,979 |
| Unallocated assets | | | | |
| – Property, plant and equipment | | | | 150 |
| – Right-of-use assets | | | | 178 |
| – Intangible assets | | | | 25,150 |
| – Other receivables, prepayment and deposit | | | | 360 |
| – Cash and bank balances | | | | 3,505 |
| Total assets | | | | <u>154,322</u> |
| Liabilities | | | | |
| Segment liabilities | (14,032) | (994) | – | (15,026) |
| Unallocated liabilities | | | | |
| – Other payables and accruals | | | | (4,741) |
| – Lease liabilities | | | | (177) |
| – Others | | | | (3,982) |
| Total liabilities | | | | <u>(23,926)</u> |
| Other information | | | | |
| Depreciation of property, plant and equipment | – | (265) | (293) | (558) |
| Depreciation of right-of-use assets | (84) | (108) | (210) | (402) |
| Provision of impairment loss on intangible assets | – | – | (3,128) | (3,128) |
| Impairment loss recognised in respect of trade receivables and contract assets | (2,040) | (1) | – | (2,041) |
| Impairment loss recognised in respect of other receivables | (7) | – | – | (7) |
| Provision of impairment loss on inventories | (2,987) | – | – | (2,987) |

| | 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 2022 | | | | |
| Revenue (At point in time) | | | | |
| Segment revenue – external sales | 61,866 | 15,102 | – | 76,968 |
| Results | | | | |
| Segment results | (6,734) | (7,147) | – | (13,881) |
| Unallocated other losses | | | | (4,066) |
| Unallocated expenses | | | | |
| – Auditor's remuneration | | | | (730) |
| – Depreciation of right-of-use assets | | | | (415) |
| – Salaries and retirement benefit scheme | | | | (1,826) |
| – Other professional fee | | | | (602) |
| – Unallocated expenses | | | | (833) |
| – Finance costs | | | | (24) |
| Loss before income tax | | | | (22,377) |
| Assets | | | | |
| Segment assets | 121,393 | 8,322 | – | 129,715 |
| Unallocated assets | | | | |
| – Property, plant and equipment | | | | 428 |
| – Right-of-use assets | | | | 208 |
| – Intangible assets | | | | 28,278 |
| – Other receivables, prepayment and deposit | | | | 177 |
| – Cash and bank balances | | | | 4,692 |
| Total assets | | | | 163,498 |
| Liabilities | | | | |
| Segment liabilities | (10,493) | (1,633) | – | (12,126) |
| Unallocated liabilities | | | | |
| – Other payables and accruals | | | | (4,939) |
| – Lease liabilities | | | | (211) |
| – Others | | | | (5,470) |
| Total liabilities | | | | (22,746) |
| Other information | | | | |
| Depreciation of property, plant and equipment | – | (301) | (423) | (724) |
| Depreciation of right-of-use assets | (115) | (826) | (415) | (1,356) |
| Impairment loss recognised in respect of trade receivables | (3,191) | (182) | – | (3,373) |
| Impairment loss reversed in respect of other receivables | 336 | 3 | – | 339 |
| Provision of impairment loss on inventories | (3,285) | (721) | – | (4,006) |

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 2023 and 2022.

Segment results represent the loss incurred or profit earned 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, prepayments, and cash and bank balances.
- All liabilities are allocated to reportable and operating segments other than certain other payables, accruals and lease 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:

| | 2023 | 2022 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| America | 57,176 | 59,750 |
| The PRC, other than Hong Kong and Macao | 3,786 | 15,098 |
| Europe | 1,719 | 1,267 |
| Australia | 201 | 315 |
| Asian | 255 | 225 |
| Africa | 17 | 216 |
| Middle East | 516 | 78 |
| Russia | 22 | 15 |
| Hong Kong and Macao | – | 4 |
| | 63,692 | 76,968 |

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Hong Kong | 328 | 636 |
| The PRC, other than Hong Kong and Macao | <u>27,778</u> | <u>32,166</u> |
| | <u>28,106</u> | <u>32,802</u> |

c. Information about major customers

Revenues from two customers of the Group's Integrated Fashion Accessories Platform Business segment amounted to HK\$44,671,000 (2022: HK\$34,787,000), which represent 10% or more of the Group's revenue.

5. OTHER INCOME

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest income | 2 | 22 |
| Government subsidies (<i>Note (a)</i>) | 123 | – |
| Covid-19-related rent concession | – | 54 |
| Others | 38 | 1 |
| | <u>163</u> | <u>77</u> |

Note:

- (a) During the year ended 31 March 2023, included in profit or loss was HK\$123,000 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, and does not obtain other subsidy in the Year.

6. OTHER GAINS AND LOSSES, NET

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| | HK\$'000 | HK\$'000 |
| Other gains and (losses), net comprise of: | | |
| Net exchange gains/(losses) | 4,588 | (667) |
| Provision of impairment loss on intangible assets | (3,128) | – |
| Impairment loss recognised in respect of trade receivables and contract assets | (2,041) | (3,373) |
| Impairment loss (recognised)/reversed in respect of other receivables | (7) | 339 |
| Loss on written off of property, plant and equipment | (490) | (1) |
| (Loss)/gain on lease modification | (3) | 76 |
| | <u>(1,081)</u> | <u>(3,626)</u> |

7. FINANCE COSTS

| | 2023 | 2022 |
|-------------------------------|------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Interest on lease liabilities | <u>25</u> | <u>165</u> |

8. LOSS BEFORE INCOME TAX

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

| | 2023 | 2022 |
|--|---------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Staff costs (included directors' remuneration) | | |
| Salaries, wages and other benefits | 4,016 | 5,465 |
| Contributions to defined contribution retirement plans | <u>364</u> | <u>471</u> |
| | <u>4,380</u> | <u>5,936</u> |
| Auditor's remuneration | 730 | 730 |
| Cost of inventories recognised as an expense, including written-off of inventories | 47,513 | 62,915 |
| Provision of impairment loss on inventories | 2,987 | 4,006 |
| Depreciation of property, plant and equipment | 558 | 724 |
| Loss on written off of property, plant and equipment | 490 | 1 |
| Depreciation of right-of-use assets | 402 | 1,356 |
| Provision of impairment loss on intangible assets | 3,128 | – |
| Impairment loss recognised in respect of trade receivables and contract assets | 2,041 | 3,373 |
| Impairment loss recognised/(reversed) in respect of other receivables | 7 | (339) |
| Short-term leases expenses | <u>19</u> | <u>–</u> |

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. INCOME TAX CREDIT

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Hong Kong Profits Tax | | |
| – Current year | – | – |
| – Over-provision in prior years | <u>(1,490)</u> | <u>–</u> |
| Income tax credit | <u>(1,490)</u> | <u>–</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 years ended 31 March 2023 and 2022 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 years ended 31 March 2023 and 2022.

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% (2022: 25%) for the Year.

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss before income tax | <u>(2,925)</u> | <u>(22,377)</u> |
| Tax calculated at the rate applicable to the tax jurisdictions concerned | (480) | (3,900) |
| Tax effect of expenses not deductible for tax purposes | 899 | 548 |
| Tax effect income not taxable for tax purposes | (20) | – |
| Utilisation of tax loss previously not recognised | (1,768) | – |
| Tax effect of tax losses not recognised | 1,369 | 3,352 |
| Over-provision in prior years | <u>(1,490)</u> | <u>–</u> |
| Income tax credit | <u>(1,490)</u> | <u>–</u> |

As at 31 March 2023 and 2022, the Group does not have deductible temporary difference in respect of impairment of trade and other receivables. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit will be available which the deductible temporary differences can be utilised.

As at 31 March 2023, the Group has unused tax losses of approximately HK\$35,128,000 (2022: HK\$37,342,000) available for offsetting against future profits. No deferred tax assets have been recognised as certain entities of the Group have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses may be carried forwards indefinitely except for those tax losses amounting to HK\$20,817,000 (2022: HK\$23,439,000) will expire in the coming few years.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of approximately HK\$1,435,000 (2022: a loss of HK\$22,377,000) and the weighted average of approximately 1,103,968,000 (2022: 1,103,968,000) ordinary shares of the Company in issue during the year.

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares in issue for the years ended 31 March 2023 and 2022.

12. TRADE RECEIVABLES, CONTRACT ASSETS AND OTHER RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Trade receivables (<i>note (a)</i>) | 52,699 | 34,461 |
| Less: Allowances (<i>note (c)</i>) | <u>(5,784)</u> | <u>(3,744)</u> |
| Trade receivables, net | <u>46,915</u> | <u>30,717</u> |
| Contract assets (<i>note (b)</i>) | 174 | – |
| Less: Allowances (<i>note (c)</i>) | <u>(1)</u> | <u>–</u> |
| Contract assets, net | <u>173</u> | <u>–</u> |
| Other receivables (<i>note (d)</i>) | 639 | 752 |
| Less: Allowances | <u>(174)</u> | <u>(167)</u> |
| Other receivables, net | <u>465</u> | <u>585</u> |
| Trade and other deposits paid | 16,688 | 15,939 |
| Prepayments | <u>392</u> | <u>90</u> |
| | <u>64,633</u> | <u>47,331</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 2023 and 2022, 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 90 days (2022: 30 to 90 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:

| | 2023 | 2022 |
|----------------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 14,138 | 11,275 |
| 31 – 60 days | 10,201 | 1,924 |
| 61 – 90 days | 5,707 | 387 |
| 91 – 180 days | 4,952 | 6,350 |
| 181 – 365 days | 11,917 | 10,781 |
| | <u>46,915</u> | <u>30,717</u> |

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

| | 2023 | 2022 |
|-----------------------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Renminbi | 1,000 | 2,392 |
| United States Dollars | 45,915 | 28,325 |
| | <u>46,915</u> | <u>30,717</u> |

(b) Contract assets

Amounts relating to contract assets are balances due from customers under sales of fashion accessories products. The Group have recognised a contract asset for any goods delivered. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customers.

- (c) Movements in loss allowance account in respect of trade receivables and contract assets during the years are as follows:

| | Trade receivables <i>HK\$'000</i> | Contract assets <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------------|---|---|---------------------------------|
| As at 1 April 2021 | 371 | – | 371 |
| Impairment loss recognised | <u>3,373</u> | <u>–</u> | <u>3,373</u> |
| As at 31 March 2022 and 1 April 2022 | 3,744 | – | 3,744 |
| Impairment loss recognised | <u>2,040</u> | <u>1</u> | <u>2,041</u> |
| As at 31 March 2023 | <u>5,784</u> | <u>1</u> | <u>5,785</u> |

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.

(d) **Other receivables**

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------------|--------------------------------|-------------------------|
| As at 1 April | 167 | 506 |
| Impairment loss recognised/(reversed) | <u>7</u> | <u>(339)</u> |
| As at 31 March | <u>174</u> | <u>167</u> |

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

| | 2023 | 2022 |
|----------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | 6,574 | 3,466 |
| Other tax payables | 3,108 | 3,085 |
| Payrolls and staff cost payables | 360 | 415 |
| Other payables and accruals | 2,182 | 2,349 |
| | <u>12,224</u> | <u>9,315</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 (2022: 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:

| | 2023 | 2022 |
|------------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 3 months | 6,148 | 3,290 |
| More than 3 month less than 1 year | 251 | 1 |
| Over 1 year | 175 | 175 |
| | <u>6,574</u> | <u>3,466</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Year, the Group recorded a total revenue of approximately HK\$63,692,000 (2022: approximately HK\$76,968,000). Gross profit was approximately HK\$16,179,000 (2022: approximately HK\$14,053,000) for the Year and loss for the Year amounted to approximately HK\$1,435,000 (2022: a loss of approximately HK\$22,377,000).

BUSINESS REVIEW

The Group mainly engaged in fashion accessories business.

During the Year, the profitability of the Group was severely affected by the rebound of COVID-19 pandemic in the PRC, high inflation worldwide and geopolitical instability.

In the PRC market, as the pandemic situation in certain major cities such as Shanghai and Guangzhou continued to rebound during the Year, the government strengthened restriction measures to contain the spread of the pandemic. To manage and control the pandemic situation, these strict measures led to the closure of warehouses, severe obstruction of logistics and distribution as well as disruption of the Group's marketing activities and supply chain. These resulted in a reduction of customer orders and affected the Group's online and offline business revenue in the China market. In the overseas markets, high inflation and the unfavorable change in exchange rate have reduced the demand of overseas customers for the Group's products, leading to a slowdown in overseas sales. These factors negatively affected the profitability of the Group.

In face of these challenges, the Group maintained its strategic determination, exercised prompt responses, actively responded to overcome the corresponding challenges, with an aim to minimize the negative impact. Considering that the global economy will continue to face different challenges, the Group implemented mitigation measures during the Year to reduce the corresponding negative impact. The main measures, among others, are as follows:

1. To deal with the impacts of the rebound of COVID-19 pandemic in the PRC, the Group has strictly controlled the selling and distribution expenses, resulting in a significant decrease in selling and distribution expenses for the Year. The Group's selling and distribution expenses for the Year were approximately HK\$10,253,000, representing a decrease of approximately 57% (2022: approximately HK\$23,701,000).

2. The Group initiated major cost reduction measures, froze non-essential operating expenses, and buttressed and optimized internal cost structure, with a view to reducing operating costs including the control of rent and staff costs. The Group's administrative expenses for the Year were approximately HK\$7,908,000, representing a decrease of approximately 12% (2022: approximately HK\$9,015,000).
3. During the pandemic, the Group kept its own inventory to enable the continued operation of online and offline sales channels even in the event of halt of work or production by the suppliers. Meanwhile, the Group strengthened its relationship with the suppliers to maintain advantages in securing stable supply.

Prospect

Global economic activities have been gradually recovering in 2023. Consumer sentiment is gradually improving. The Group expects the general demand of fashion accessories will increase.

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 PRC 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 the PRC, it is expected that the PRC 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 continue its efforts to further expand the sales volumes in the PRC.

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.

As disclosed in the announcement dated 16 September 2020, the Group intends to explore opportunities to commence a general health and wellness business in the PRC (the “Potential Business Development”). The Board believes that there is great potential in the general health and wellness industry after the outbreak of COVID-19 in early 2020. As countries have begun to relax COVID-19 controls and social distancing measures over the past year, noticeable improvements in economic activities and international travel have been observed in various markets and sectors, and consumer confidence is increasingly being restored. The Group believes that it is a suitable time to develop a general health and wellness business, and is in the process of identifying appropriate projects and suppliers if suitable opportunities arise. As of the date hereof, the Group has not yet formulated any specific plans nor signed any legally binding agreements with suppliers. If the internal resources are not able to support the Potential Business Development, the Group may seek external resources when suitable opportunities arise.

The Board expects that the Potential Business Development will enable the Group to leverage its existing business and customer network in the PRC to diversify its income sources and achieve sustainable growth for the benefit of the Shareholders as a whole. Notwithstanding the Group’s intention to explore the Potential Business Development, the existing principal business of the Group (namely the sale of fashion accessories through online platforms) will continue to be the core business of the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Year amounted to approximately HK\$63,692,000 (2022: approximately HK\$76,968,000), representing a decrease of approximately 17% from that of 2022. The decrease in the Group's revenue during the Year was mainly due to the downward pressure on the global economy.

Gross profit

The Group's gross profit for the Year was approximately HK\$16,179,000 (2022: approximately HK\$14,053,000), representing an increase of approximately 15%. The Group's gross profit margin for the Year was approximately 25%. The increase in the Group's gross profit during the Year was mainly due to (i) negotiated lower cost of goods with suppliers; and (ii) less discounts was offered to customers.

Selling and distribution expenses

The Group's selling and distribution expenses for the Year was approximately HK\$10,253,000 (2022: approximately HK\$23,701,000), representing a decrease of approximately 57%. The decrease in the Group's selling and distribution expenses during the Year was mainly attributable to the decrease in marketing and promotion expenses for the Group's fashion accessories business during the Year.

Administrative expenses

The Group's administrative expenses for the Year was approximately HK\$7,908,000 (2022: approximately HK\$9,015,000), representing a decrease of approximately 12%. The decrease in the Group's administrative expenses was mainly attributable to the implementation of certain cost control measures during the Year.

Loss for the Year

As a result of the foregoing, the Group's loss for the Year was approximately HK\$1,435,000 (2022: a loss of approximately HK\$22,377,000).

Dividend

The Board does not recommend the payment of any final dividend for the Year (2022: Nil).

Capital structure

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 2023 and 2022, 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 2023, the Group had 25 employees (2022: 27), and the total staff cost including Directors' emoluments amounted to approximately HK\$4,380,000 (2022: approximately HK\$5,936,000). To enhance the expertise, product knowledge, marketing skills and overall operational management skills of its employees, the Group organized 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 emphasizes 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 2023, the Group had cash and cash equivalents of approximately HK\$18,886,000 (2022: approximately HK\$35,758,000). As at 31 March 2023 and 2022, 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 18.3% as at 31 March 2023 (2022: approximately 16.2%).

Capital commitments

As at 31 March 2023 and 2022, the Group did not have any significant capital commitments.

Contingent liabilities

As at 31 March 2023 and 2022, 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 opinion or 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 2023 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, 27 June 2023

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.