

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

Interim Report  
2011-12



**ARTINI**

雅天妮

Stock Code: 789

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



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**ARTINI**

# Corporate Information

## BOARD OF DIRECTORS

### Executive Director

Mr. Tse Chiu Kwan (*Chairman & Chief Executive Officer*)

### Non-executive Director

Ms. Yip Ying Kam (*Vice Chairman*)

### Independent Non-executive Directors

Mr. Lau Fai Lawrence  
Mr. Fan William Chung Yue  
Mr. Lau Yiu Kit

## AUDIT COMMITTEE

Mr. Lau Fai Lawrence (*Chairman*)  
Mr. Fan William Chung Yue  
Mr. Lau Yiu Kit

## REMUNERATION COMMITTEE

Mr. Fan William Chung Yue (*Chairman*)  
Mr. Tse Chiu Kwan  
Mr. Lau Fai Lawrence  
Mr. Lau Yiu Kit

## NOMINATION COMMITTEE

Mr. Lau Fai Lawrence (*Chairman*)  
Mr. Tse Chiu Kwan  
Mr. Fan William Chung Yue  
Mr. Lau Yiu Kit

## COMPANY SECRETARY

Mr. Lo Wah Wai, *HKICPA, AICPA*

## AUTHORISED REPRESENTATIVES

Mr. Tse Chiu Kwan  
Mr. Lo Wah Wai, *HKICPA, AICPA*

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat B1, 1st Floor  
Kaiser Estate, Phase 1  
41 Man Yue Street  
Hungghom  
Hong Kong

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited  
The Hongkong and Shanghai Banking Corporation  
Limited

## LEGAL ADVISERS

Reed Smith Richards Butler  
Guangdong Zhiming Law Firm  
Conyers Dill & Pearman  
Gonçalves Pereira, Rato, Ling, Vong & Cunha  
– Avenida da Amizade

## COMPLIANCE ADVISER

Guangdong Securities Limited

## AUDITOR

Mazars CPA Limited

## INVESTOR RELATIONS

PR ASIA Consultants Limited

## COMPANY'S WEBSITE

[www.artini-china.com](http://www.artini-china.com)

## STOCK CODE

789

# Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby presents the unaudited consolidated interim financial report of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011 (the "Period"). The interim financial statements have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee").

## MARKET REVIEW

China's macroeconomic environment maintained its growth momentum on the whole during the first half of 2011. According to the economic data published by the National Bureau of Statistics of China, the total retail sales of social consumer goods in the PRC was RMB13,081.1 billion<sup>1</sup> in the first nine months, which still recorded a growth of 17% despite the declining economic growth, indicating that the retail industry and consumer's confidence in China remain positive, and that the strong demand for trendy accessories fosters the development of the Group.

To capture the ongoing growth trend in the Mainland retail market, during the Period under review, the Group continued to undergo business restructuring and changed the operation policies, strategically adjusting the coverage of retail outlets and strengthening the distributorship business model. In addition, through exploring TV direct selling and online sales platforms, we could effectively control the costs and accelerate the growth rate of different sales channels to maximize the shareholders' returns.

## BUSINESS REVIEW

For the Period, the Group recorded a total turnover of approximately HK\$171,466,000 (2010: HK\$200,281,000), representing a decrease of 14.4% as compared with the same period last year. The decrease was mainly due to previous strategic consolidation of the overall business development, inefficient retail points were closed. The gross profit was HK\$59,122,000 (2010: HK\$100,259,000), representing a decrease of 41.0% as compared with the same period last year. The gross profit margin decreased to 34.5% from 50.1% of last year, which was attributable

to decline in profitability of the Group's CDM business caused by drastic increase in raw material and labour costs and further loss incurred by the Group's retail operation. The loss attributable to the owners of the Company during the Period was HK\$52,033,000 (2010: loss of HK\$26,295,000), and the increase in loss was mainly caused by further loss incurred by the Group's retail operations during the Period. The loss per share was HK\$0.042 (2010: HK\$0.022).

## Retail Business

The Group consistently adopted the "multi-brand strategy" to operate its retail business, which includes brands such as "Artini", "Q'ggle", "Q'ggle Lingerie", "NBA", "Barbie" and "Disney" etc. During the Period, China Post has continued to be the Group's exclusive agency to develop various postal related products based on the Group's accessory products and sell these products through more than 60,000 post offices of China Post throughout the country and by direct mail orders. Meanwhile, the Group developed online sales platforms to sell our products and held marketing activities, targeting customers of China Post to promote the Group's products.

During the Period, the Group continued its stringent cost control by undergoing internal resources integration, streamlining the labor structure and cutting down expenses. Meanwhile, the Group has adjusted its operating policies and gradually converted into a distributorship business model. Such modifications allowed the Group to establish its sales networks in a cost-effective manner while reducing the operation expenses. Besides, the Group strategically closed down some retail points of high rentals to further lower the production and operation costs. As at 30 September 2011, the Group had approximately 100 retail outlets (2010: 151 retail outlets) throughout the PRC, Hong Kong and Macau, covering more than 30 cities in the PRC. Retail business recorded a turnover of HK\$42,221,000 (2010: HK\$73,811,000), accounting for approximately 24.6% of the Group's total turnover, which represented a decrease of 12.2% as compared with the same period of last year.

<sup>1</sup> "The total retail sales of social consumer goods (September 2011)", the National Bureau of Statistics of China, [http://www.stats.gov.cn/tjsj/fdsj/t20111020\\_402761210.htm](http://www.stats.gov.cn/tjsj/fdsj/t20111020_402761210.htm)

## Management Discussion and Analysis

### **(1) Developing new distribution channels**

During the Period, the Group adjusted its business strategies, strengthened the distributorship business model and established its retail outlets in a fast and cost-effective way. The Group's market has penetrated to a majority of cities apart from the first-tier cities in the PRC. The Group granted the patent rights of its brands of "Artini" and/or "Q'ggle" to selected qualified and experienced agents to run the shops under the distributorship business model and thereby promoted the growth of its branded stores. Currently, the Group has approximately 100 retail outlets, including approximately 22 agency stores.

In addition, the Group continuously developed online sales platforms that involve lower operating costs and continued to cooperate with Hunan Satellite TV to expand customer base through the TV direct selling platform. Riding on the high brand awareness, the Group is able to achieve better sales.

### **(2) Customer Relationship Management plan**

Through consistently adopting the Customer Relationship Management ("CRM") plan, the Group is able to enhance the loyalty of its customers. As at 30 September 2011, the number of VIP customers of "Artini" was 108,362, representing an increase of 14.5% over the same period of last year; while the number of VIP customers of "Q'ggle" increased by 27.2% to 50,487. Loyal customers contributed the majority of the Group's revenue, which helps to stabilise incomes. By analyzing the shopping habits of our VIP customers, the Group has strategically planned and promoted our retail business and other promotion activities and has developed a series of new products catering our customers' preferences.

### **Concurrent Design Manufacturing ("CDM") Business**

During the Period, the Group continued to cooperate closely with internationally renowned brands, concurrently designed and manufactured different branded products, then exported and distributed these products worldwide.

The internationally renowned brands include Marks & Spencer, Disney, Playboy, Tommy Hilfiger, Givenchy, Nine West, Nautica, Guess, Amway, Carolee, Tchibo, etc.

Regarding the PRC market, the Group has been actively expanding its business in the gift and premium market through providing one-stop gift and premium services to domestic large enterprises. During the Period, the Group provided gifts and premium services for China Mobile, Leconte, Amway, China Minsheng Bank, and China Merchants Bank, etc. Furthermore, after the Beijing Olympic Games and the Guangzhou Asian Games, the Group has been appointed as the supplier of gifts and premium for the large-scaled sports event again, designing and manufacturing accessories and gifts for the Shenzhen Universiade 2011 held in August.

During the Period, the Group's CDM business recorded HK\$129,245,000 (2010: HK\$126,470,000), accounting for 75.4% of the total turnover, which increased by 2.19% compared with the same period of last year. The slight rise was driven by the steady growth in export business and the surge of souvenir businesses.

## **FINANCIAL REVIEW**

For the Period, the Group recorded a total turnover of approximately HK\$171,466,000, representing a decrease of 14.4% as compared with the same period in 2010. The decrease was mainly due to previous strategic consolidation of the overall business development. During the Period under review, the turnover of the retail and CDM businesses were approximately HK\$42,221,000 and HK\$129,245,000 respectively, accounted for 24.6% and 75.4% of the total turnover of the Group. The Group's turnover was mainly derived from the PRC, European and American markets, which accounted for 34.7%, 31.1% and 13.8% of the total turnover respectively, while the percentage of the same period last year were 32.8%, 37.4% and 15.1% respectively.

During the Period under review, gross profit decreased by 41.0% to HK\$59,122,000. Gross profit margin dropped to 34.5% (2010: 50.1%). The cost of sales for the Period increased by 12.3% from approximately HK\$100,022,000 for the six months ended 30 September 2010 to HK\$112,344,000. Due to the continuous increase in raw materials and labor costs, the overall gross profit margin was reduced.

Selling and distribution costs for the Period decreased by 16.0% to HK\$79,129,000, while it was HK\$94,148,000 for the corresponding period in 2010. It was mainly due to the gradual closure of stores with high rental and low profitability, and shifting the Group's distribution channels towards the distributorship business model and online selling platform.

Income tax expense decreased from HK\$2,119,000 for the six months ended 30 September 2010 to HK\$159,000 for the Period.

### Liquidity and Financial Resources

As at 30 September 2011, the bank loan of the Group amounted to HK\$23,302,000, which was denominated in Renminbi, and was secured by pledging of a property with carrying value of HK\$22,976,000 and repayable by 14 December 2013. As it was a loan with a clause in its term that gave the bank an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion, it was classified as current liabilities even though the Directors did not expect that the bank would exercise their rights to demand repayment.

Apart from this bank loan, the Group has also obtained general banking facilities which were secured by legal charge over certain of its properties with an aggregate carrying value of HK\$nil (31 March 2011: HK\$8,024,000) and cross corporate guarantee given by the Group. At the end of the reporting period, banking facilities available to the Group amounted to HK\$2,098,000 (31 March 2011: HK\$11,598,000), which were utilised by the Group to the extent of HK\$1,250,000 (31 March 2011: HK\$1,250,000).

As at 30 September 2011, the Group's obligations under finance leases amounted to HK\$1,821,000.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratio of the Group was 22.3% as at 30 September 2011 (31 March 2011: 18.4%). The Group had time deposits and cash balances as at 30 September 2011 amounted to HK\$117,965,000 (31 March 2011: HK\$131,117,000).

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

### Dividend

The Board did not recommend the payment of any interim dividends for the Period.

### Foreign Exchange Exposure

The businesses of the Group are mainly operated in the PRC, Europe and Hong Kong with most of the Group's transactions settled in Renminbi, United States dollars and Hong Kong dollars. Accordingly, the Board considered that the potential foreign exchange exposure of the Group is relatively limited. Besides, the Group has not used any forward contracts or hedging products to hedge its interest rate or exchange rate risks during the Period. However, the management will continue to monitor foreign currency risks and seek to learn more about relevant information from financial institutions. During the Period under review, the Group recorded a net exchange losses of approximately HK\$692,000.

### Significant Investments and Acquisitions

During the Period under review, the Group acquired three properties located in Guangzhou, the PRC from Mr. Tse Chiu Kwan, the Chairman, an executive Director and a controlling shareholder of the Company at an aggregate consideration of approximately HK\$8,479,000. The acquisition was made for rental incomes in view of the rising property price in the PRC. The Group continued to seek opportunities to acquire and cooperate with international customers in order to generate better returns to its shareholders.

An allowance of impairment losses on deposit paid for acquisition of business of an amount of approximately HK\$10,132,000 was made, which is the balance of final payment for a Beijing project yet to be received. The Group is making its best effort to recover the amount.

## Management Discussion and Analysis

### Capital Commitments

As at 30 September 2011, the capital commitments contracted for were HK\$3,348,000 (31 March 2011: HK\$3,249,000).

### Contingent Liabilities

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

### Legal Proceedings and Potential Litigations

For the Period, the Group was not involved in any litigation that had a material adverse effect on its financial condition and results of operations.

### Compensation for Loss on a Fire Accident

During the Period under review, an amount of HK\$9,369,000 was received as compensation for losses on a fire accident at the Group's production plant on 22 November 2010.

### Human Resources

As at 30 September 2011, the Group had 1,600 employees. During the Period, the total staff cost including directors' emoluments amounted to approximately HK\$33,979,000. To enhance the expertise, product knowledge, marketing skills and the overall operational management skills of its employees, the Group organised regular training and development courses for its employees, providing them with a competitive remuneration package, including salary, allowance, insurance and commission/bonus. Meanwhile, in order to create a harmonious and family-like working atmosphere for the development of employees, the Group emphasizes on listening to employees' opinion by expanding the path for staff promotion.

### Investor Relations

The Group strongly believes that investor relations are important to a listed company. Maintaining sound relationships with investors and keeping them abreast of the latest corporate information and business development in a timely manner would enhance the transparency and

corporate governance of the Group, thus strengthening the corporate reputation. During the Period under review, representatives of investor relations actively participated in various investor-related activities.

### PROSPECTS

The first half of the year was the turning point for the long-term development of the Group's overall business. The Group adjusted its business development strategies and is optimistic that those strategies will establish a solid development foundation for the Group upon completion of the consolidation.

The Group will continue to focus on the PRC market and explore diversified distribution channels, such as further expanding our TV direct selling platform and online sales to strengthen the sales network, enlarging its business coverage and scale in the PRC market and increasing interaction with our customers as well as organizing promotion activities.

Apart from this, the Group is developing new products series and is expected to launch wedding accessories in the forthcoming year, which not only allow the Group to provide diversified options for customers through developing new products, but also enables us to tap the wedding accessories market.

The Group will strengthen its CDM business and identify more new customers throughout the world, particularly customers from the developing countries such as China and Russia. In addition, there are plenty of business opportunities for gifts and premium items in the global gift market. The Group will continue to explore greater market opportunities by proactively cooperating with large corporations to offer the "tailor-made" souvenirs to their existing and target customers.

Looking forward, riding on our high quality design and products, the Group will continue to seek to extend creative elements of refinement and fashion into various fashionable women's daily necessities, and to establish "Artini exquisite ladies living concept", targeting fashion culture of women's daily necessities. The Board believes that the China fashion accessories market is filled with ample opportunities and potential. The Group is well positioned to face challenges and grasp business opportunities in the future.

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

### Corporate Governance Practice

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with all the provisions in the CG Code for the Period, except that under provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer ("CEO") should be separated and should not be performed by the same individual. The Company has appointed Mr. Tse Chiu Kwan ("Mr. Tse") as CEO with effect from 28 November 2011. The roles of the chairman and CEO are performed by Mr. Tse. Mr. Tse is one of the founders of the Group and possesses rich knowledge and experience of the jewellery industry and the related industries, the Board believes that vesting the roles of the chairman and CEO in Mr. Tse provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders of the Company.

The Company has not appointed a CEO for the Period. During the Period, the overall management of the Company was performed by Mr. Tse, Mr. Lin Shao Hua (resigned on 31 October 2011) and Mr. Lau Yau Chuen, Louis (up and until his resignation effective from 18 July 2011), all of whom were executive Directors who have extensive experience in either the jewellery industry or the accounting field. Their respective areas of profession spearhead the Group's overall development and business strategies. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Mr. Fan Chung Yue, William ("Mr. Fan") has tendered his resignation on 9 November 2011 as independent non-executive director of the Company. By serving three months' notice to the Company, the resignation of Mr. Fan will become effective from 9 February 2012. Mr. Fan also will cease to be the members of Audit Committee and nomination committee, and the chairman of remuneration committee of the Company with effect from 9 February 2012. The Company will appoint a suitable individual as an independent non-executive Director to fill the casual vacancy which will arise on 9 February 2012.

## Corporate Governance and Other Information

### 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 its code of conduct for securities transactions by the 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 for the Period.

### Audit Committee

The Audit Committee was established on 23 April 2008 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, all are the independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Mr. Fan and Mr. Lau Yiu Kit, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. The Audit Committee has reviewed the unaudited interim financial information and interim report for the Period.

### Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises four members, namely Mr. Fan (Chairman), Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the independent non-executive Directors and Mr. Tse, an executive Director. The primary duties of the Remuneration Committee are to make recommendations to the Board on remuneration of the Directors and senior management of the Company and determine on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management of the Company.

### Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 23 April 2008 with written terms of reference in compliance with the CG Code. The Nomination Committee comprises four members, namely Mr. Lau Fai Lawrence (Chairman), Mr. Fan and Mr. Lau Yiu Kit, the independent non-executive Directors and Mr. Tse, an executive Director. The primary function of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management of the Company.

### Investment Committee

The investment committee of the Company (the "Investment Committee") was established on 17 July 2009 with written terms of reference. The Investment Committee comprises Mr. Tse and the chief financial officer of the Company. Pursuant to its written terms of reference, the primary function of the Investment Committee is to utilise funds available to make various investments, including but not limited to investments in securities and properties, with an aim to bring a higher return, as compared with bank deposit, to the Company and its shareholders as a whole.

## OTHER INFORMATION

### Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

### Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures

As at 30 September 2011, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

#### *Long positions in shares of the Company*

Name of Directors	Company in which interests are disclosed	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted	Percentage of the issued share capital as at 30 September 2011
Tse Chiu Kwan	The Company	Corporate interest	648,088,000 (Note 1)	—	52.38%
		Beneficial interest	9,897,000	—	0.80%
Yip Ying Kam	The Company	Corporate interest	72,000,000 (Note 2)	—	5.82%
Tse Chiu Kwan	Fully Gain Company Ltd.	Beneficial interest	1	—	100%

Note 1: These shares are held by Fully Gain Company Ltd., an associated corporation of the Company, which is wholly and beneficially owned by Mr. Tse Chiu Kwan.

Note 2: These shares are held by Excellent Gain International Holdings Limited which is wholly and beneficially owned by Ms. Yip Ying Kam.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Corporate Governance and Other Information

### Directors' Right to Acquire Shares

Save as disclosed above, at no time was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

### Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Scheme adopted by the Company on 23 April 2008, certain Directors and employees of the Company were granted share options to subscribe for the Company's shares. Details of share options movements during the Period under the Pre-IPO Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding at 30.09.2011	Validity period of share options	Exercise price (HK\$)
		Outstanding at 01.04.2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period			
<b>Directors</b>									
Tse Chiu Kwan	02.05.2008	2,020,000	—	—	2,020,000	—	—	16.05.2010–15.05.2011	1.887
Yip Ying Kam	02.05.2008	600,000	—	—	600,000	—	—	16.05.2010–15.05.2011	1.887
Subtotal		2,620,000	—	—	2,620,000	—	—		
<b>Other Employees</b>									
In aggregate	02.05.2008	140,000	—	—	140,000	—	—	16.05.2010–15.05.2011	1.887
Subtotal		140,000	—	—	140,000	—	—		
<b>Total</b>		<b>2,760,000</b>	<b>—</b>	<b>—</b>	<b>2,760,000</b>	<b>—</b>	<b>—</b>		

## Share Option Scheme

The Company also adopted the Scheme on 23 April 2008. The purpose of the Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing value of the Company and its shares for the benefit of the Company and the shareholders of the Company as a whole. Details of share options movements during the Period under the Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding at 30.09.2011	Validity period of share options	Exercise price (HK\$)
		Outstanding at 01.04.2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period			
<b>Directors</b>									
Tse Chiu Kwan	27.07.2009	2,400,000	—	—	2,400,000	—	—	27.07.2009–26.07.2011	0.830
Yip Ying Kam	27.07.2009	8,900,000	—	—	8,900,000	—	—	27.07.2009–26.07.2011	0.830
Lin Shao Hua (resigned on 31 October 2011)	27.07.2009	9,600,000	—	—	9,600,000	—	—	27.07.2009–26.07.2011	0.830
Lau Fai Lawrence	27.07.2009	200,000	—	—	200,000	—	—	27.07.2009–26.07.2011	0.830
Fan William Chung Yue	27.07.2009	200,000	—	—	200,000	—	—	27.07.2009–26.07.2011	0.830
Subtotal		21,300,000	—	—	21,300,000	—	—		
<b>Advisors and Consultants</b>									
In aggregate	27.07.2009	34,200,000	—	—	34,200,000	—	—	27.07.2009–26.07.2011	0.830
	20.10.2009	9,950,000	—	—	—	—	9,950,000	20.10.2009–19.10.2011	0.680
								(Note 1)	
Subtotal		44,150,000	—	—	34,200,000	—	9,950,000		
<b>Other Employees</b>									
In aggregate	27.07.2009	9,300,000	—	—	9,300,000	—	—	27.07.2009–26.07.2011	0.830
								(Note 2)	
Subtotal		9,300,000	—	—	9,300,000	—	—		
<b>Total</b>		<b>74,750,000</b>	<b>—</b>	<b>—</b>	<b>64,800,000</b>	<b>—</b>	<b>9,950,000</b>		

## Corporate Governance and Other Information

Note 1: A maximum of 50% of the total number of share options granted to the grantees may be exercisable between 20 October 2009 and 19 January 2010. The remaining number of share options granted to the grantees may be exercisable between 20 January 2010 and 19 October 2011.

Note 2: A maximum of 50% of the total number of share options granted to these grantees on 27 July 2009 may be exercisable between 27 July 2009 and 26 July 2010. The remaining 50% of the total number of share options granted to these grantees may be exercisable between 27 July 2010 and 26 July 2011.

In respect of employees of the Company who had not joined the Company for a full year on 27 July 2009, the validity periods of the share options granted to them on 27 July 2009 will commence on the date they have been employed by the Company for one full year (the "Starting Date"). A maximum of 50% of the total number of share options granted to these grantees may be exercisable during the 12 months commencing on the Starting Date. The remaining 50% of the total number of share options granted to these grantees may be exercisable during the 12 months commencing on the first anniversary of the Starting Date.

### Substantial Shareholders' Interests in Shares and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2011, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

#### *Long positions in shares of the Company*

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Nature of issued ordinary shares/ underlying shares held</b>	<b>Percentage of the issued share capital as at 30 September 2011</b>
Fully Gain Company Ltd. (Note 1)	Beneficial interest	648,088,000	52.38%
Excellent Gain International Holdings Limited (Note 2)	Beneficial interest	72,000,000	5.82%

Note 1: Fully Gain Company Ltd. is wholly and beneficially owned by Mr. Tse Chiu Kwan.

Note 2: Excellent Gain International Holdings Limited is wholly and beneficially owned by Ms. Yip Ying Kam.

Save as disclosed above, as at 30 September 2011, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

## Disclosure of Information on Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors are as follows:

The housing allowance of Mr. Tse was adjusted during the Period under review. Mr. Tse is entitled to a monthly housing allowance of HK\$210,000 per month with effect from 1 July 2011.

The Directors' fees of Mr. Lau Fai Lawrence and Mr. Fan were adjusted during the Period under review. Mr. Lau Fai Lawrence is entitled to a fee of HK\$399,600 per annum and Mr. Fan was entitled to a fee of HK\$324,000 per annum, both of which were determined by reference to the prevailing market rate and time, effort and expertise of the independent non-executive Directors of the Company devoted to the Company's affairs.

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

Hong Kong, 28 November 2011

# Condensed Consolidated Income Statement

for the six months ended 30 September 2011  
(Expressed in Hong Kong dollars)

	Note	Unaudited	
		For the six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>	4	<b>171,466</b>	200,281
Cost of sales		<b>(112,344)</b>	(100,022)
<b>Gross profit</b>		<b>59,122</b>	100,259
Other revenue	5	<b>1,581</b>	978
Other net gains	6	<b>2,408</b>	8,833
Selling and distribution costs		<b>(79,129)</b>	(94,148)
Administrative expenses		<b>(23,812)</b>	(30,828)
Other operating expenses		<b>(11,714)</b>	(7,455)
<b>Loss from operations</b>		<b>(51,544)</b>	(22,361)
Finance costs	7(a)	<b>(597)</b>	(1,815)
<b>Loss before taxation</b>	7	<b>(52,141)</b>	(24,176)
Income tax	8	<b>(159)</b>	(2,119)
<b>Loss for the period</b>		<b>(52,300)</b>	(26,295)
<b>Attributable to:</b>			
Owners of the Company		<b>(52,033)</b>	(26,295)
Non-controlling interests		<b>(267)</b>	—
<b>Loss for the period</b>		<b>(52,300)</b>	(26,295)
<b>Loss per share (HK\$)</b>	10		
Basic and diluted		<b>(0.042)</b>	(0.022)

The notes on pages 20 to 28 form part of this interim financial report.

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2011  
(Expressed in Hong Kong dollars)

	<b>Unaudited</b>	
	<b>For the six months ended 30 September</b>	
	<b>2011 HK\$'000</b>	2010 HK\$'000
<b>Loss for the period</b>	<b>(52,300)</b>	(26,295)
<b>Other comprehensive income:</b>		
Exchange differences on consolidation	<b>5,695</b>	1,244
<b>Total comprehensive income for the period, net of tax</b>	<b>(46,605)</b>	(25,051)
<b>Attributable to:</b>		
Owners of the Company	<b>(46,338)</b>	(25,051)
Non-controlling interests	<b>(267)</b>	—
<b>Loss for the period</b>	<b>(46,605)</b>	(25,051)

The notes on pages 20 to 28 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

as at 30 September 2011  
(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>As at 30 September 2011 (unaudited) HK\$'000</b>	As at 31 March 2011 (audited) HK\$'000
<b>Non-current assets</b>			
Fixed assets			
— Property, plant and equipment		<b>76,481</b>	82,393
— Investment properties		<b>8,479</b>	—
— Interests in leasehold land held for own use under operating leases		<b>8,893</b>	9,541
Intangible assets		<b>12,295</b>	14,794
Goodwill		<b>5,623</b>	7,123
Rental deposits		<b>6,781</b>	7,972
Deferred tax assets		<b>11,526</b>	11,526
		<b>130,078</b>	133,349
<b>Current assets</b>			
Trading securities		<b>13,018</b>	24,400
Inventories		<b>88,828</b>	82,928
Trade and other receivables	11	<b>99,483</b>	110,163
Current tax recoverable		<b>4</b>	947
Cash and cash equivalents		<b>117,965</b>	131,117
		<b>319,298</b>	349,555
<b>Current liabilities</b>			
Trade and other payables	12	<b>69,050</b>	55,568
Bank loans		<b>23,302</b>	23,680
Obligations under finance leases		<b>1,263</b>	1,340
Current tax payable		<b>2,236</b>	2,273
		<b>95,851</b>	82,861
<b>Net current assets</b>		<b>223,447</b>	266,694
<b>Total assets less current liabilities</b>		<b>353,525</b>	400,043

	<i>Note</i>	<b>As at 30 September 2011 (unaudited) HK\$'000</b>	As at 31 March 2011 (audited) HK\$'000
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>558</b>	1,148
Deferred tax liabilities		<b>3,925</b>	4,882
<b>NET ASSETS</b>		<b>349,042</b>	394,013
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>123,732</b>	123,732
Reserves		<b>224,136</b>	268,840
<b>Total capital and reserves attributable to owners of the Company</b>		<b>347,868</b>	392,572
<b>Non-controlling interests</b>		<b>1,174</b>	1,441
<b>TOTAL EQUITY</b>		<b>349,042</b>	394,013

The notes on pages 20 to 28 form part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 September 2011 — unaudited  
(Expressed in Hong Kong dollars)

Note	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000	Share-based capital reserve HK\$'000	Legal reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2010	111,654	478,227	(19,615)	17,264	21,755	15,172	97	(161,362)	463,192	—	463,192
Changes in equity for the six months ended 30 September 2010:											
Total comprehensive income for the period	—	—	—	1,244	—	—	—	(26,295)	(25,051)	—	(25,051)
Issue of shares under share placement	8,354	35,924	—	—	—	—	—	—	44,278	—	44,278
Share issuance cost	—	(1,550)	—	—	—	—	—	—	(1,550)	—	(1,550)
Issue of shares upon conversion of convertible bonds	1,944	15,941	—	—	—	—	—	—	17,885	—	17,885
Equity-settled share-based transactions	—	—	—	—	—	5,375	—	3,406	8,781	—	8,781
Shares issued under share option scheme	4,485	32,681	—	—	—	(5,918)	—	—	31,248	—	31,248
Balance at 30 September 2010	126,437	561,223	(19,615)	18,508	21,755	14,629	97	(184,251)	538,783	—	538,783
Balance at 1 April 2011	<b>123,732</b>	<b>549,974</b>	<b>(19,615)</b>	<b>27,692</b>	<b>21,755</b>	<b>22,096</b>	<b>97</b>	<b>(333,159)</b>	<b>392,572</b>	<b>1,441</b>	<b>394,013</b>
Changes in equity for the six months ended 30 September 2011:											
Total comprehensive income for the period	—	—	—	5,695	—	—	—	(52,033)	(46,338)	(267)	(46,605)
Equity-settled share-based transactions	—	—	—	—	—	(20,037)	—	21,671	1,634	—	1,634
Balance at 30 September 2011	<b>123,732</b>	<b>549,974</b>	<b>(19,615)</b>	<b>33,387</b>	<b>21,755</b>	<b>2,059</b>	<b>97</b>	<b>(363,521)</b>	<b>347,868</b>	<b>1,174</b>	<b>349,042</b>

The notes on pages 20 to 28 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 September 2011  
(Expressed in Hong Kong dollars)

	<b>Unaudited</b>	
	<b>For the six months ended 30 September</b>	
	<b>2011 HK\$'000</b>	2010 HK\$'000
<b>Net cash used in operations</b>	<b>(4,159)</b>	(65,266)
<b>Tax paid</b>	<b>(210)</b>	(1,904)
<b>Net cash used in operating activities</b>	<b>(4,369)</b>	(67,170)
<b>Net cash used in investing activities</b>	<b>(9,083)</b>	(24,075)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,642)</b>	79,107
<b>Net decrease in cash and cash equivalents</b>	<b>(15,094)</b>	(12,138)
<b>Cash and cash equivalents at 1 April</b>	<b>131,117</b>	191,431
<b>Effect of foreign exchange rate changes</b>	<b>1,942</b>	401
<b>Cash and cash equivalents at 30 September</b>	<b>117,965</b>	179,694

The notes on pages 20 to 28 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

## 1 COMPANY BACKGROUND

The Company was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2008. The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacturing, retailing and distribution and concurrent design manufacturing ("CDM") of fashion accessories.

## 2 BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010/2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011/2012 annual financial statements. Details of these changes in accounting policies are set out in note 3. This interim financial report should be read in conjunction with the 2010/11 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2010/11 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 March 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2011 are available from the Company's registered office.

### 3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in preparing the unaudited interim financial report for the six months ended 30 September 2011 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 March 2011, except for the impact of the adoption of the new standards, amendments and interpretations which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2011:

HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement <sup>2</sup>
Improvements to HKFRSs 2010	Improvements to HKFRSs 2010 <sup>3</sup>

<sup>1</sup> Effective for the annual periods beginning on or after 1 July 2010

<sup>2</sup> Effective for the annual periods beginning on or after 1 January 2011

<sup>3</sup> Effective for the annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group has assessed the impact for the adoption of these amendments to standards and interpretations and considered that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

The Group has not early adopted the new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning 1 April 2011. The Group has commenced an assessment of the related impact but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

The method of calculations adopted in preparing the unaudited interim financial report for the six months ended 30 September 2011 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

## Notes to the Unaudited Interim Financial Report (Cont'd)

### 4 SEGMENT REPORTING

The segment results for the six months ended 30 September 2011 and 2010 is presented below:

	Six months ended 30 September 2011 — unaudited					
	Retailing and distribution			CDM sales HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	Sub-total HK\$'000			
Revenue from external customers	29,490	12,731	42,221	129,245	—	171,466
Inter-segment revenue	—	—	—	15,719	(15,719)	—
Reportable segment revenue	<b>29,490</b>	<b>12,731</b>	<b>42,221</b>	<b>144,964</b>	<b>(15,719)</b>	<b>171,466</b>
Reportable segment profit/(loss)	<b>(27,964)</b>	<b>(5,373)</b>	<b>(33,337)</b>	<b>13,831</b>	—	<b>(19,507)</b>
Unallocated expenses						<b>(32,793)</b>
Loss for the period						<b>(52,300)</b>
	Six months ended 30 September 2010 — unaudited					
	Retailing and distribution			CDM sales HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
	Mainland China HK\$'000	Hong Kong and Macao HK\$'000	Sub-total HK\$'000			
Revenue from external customers	60,802	13,009	73,811	126,470	—	200,281
Inter-segment revenue	—	—	—	19,706	(19,706)	—
Reportable segment revenue	60,802	13,009	73,811	146,176	(19,706)	200,281
Reportable segment profit/(loss)	(16,512)	(3,689)	(20,201)	25,475	—	5,274
Unallocated expenses						(31,569)
Loss for the period						(26,295)

## 5 OTHER REVENUE

	Unaudited	
	For the six months ended	
	30 September	
	2011 HK\$'000	2010 HK\$'000
Dividend income from listing securities	47	340
Services income	1,189	196
Rental income	—	75
Interest income	309	163
Others	36	204
	<b>1,581</b>	978

## 6 OTHER NET GAINS

	Unaudited	
	For the six months ended	
	30 September	
	2011 HK\$'000	2010 HK\$'000
Net exchange losses	(692)	(200)
Net loss on disposal of property, plant and equipment	(9)	(102)
Net realised and unrealised (loss)/gains on trading securities	(9,860)	6,835
Net gain on change in fair value of embedded financial derivatives	—	757
Gain on disposal of investment property	—	1,543
Compensation for losses on a fire accident	9,369	—
Reversal of allowance for impairment loss on loan receivable	3,600	—
	<b>2,408</b>	8,833

## Notes to the Unaudited Interim Financial Report (Cont'd)

### 7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and (crediting):

	Unaudited	
	For the six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	504	—
Imputed interest on convertible bonds	—	1,710
Finance charges on obligations under finance leases	93	105
	<b>597</b>	1,815
(b) Other items:		
Depreciation		
— assets held for use under finance lease	600	545
— other assets	13,006	9,240
Amortisation — Intangible assets	2,612	—
Allowance for impairment losses on deposit paid for acquisition of business	10,132	—
Impairment loss on goodwill	1,500	—
Advertising and promotion expenses	4,209	6,909
Operating lease charges in respect of properties:		
— minimum lease payments	23,387	25,879
— contingent rent	5,620	7,264

## 8 INCOME TAX

	Unaudited	
	For the six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
<b>Current tax — PRC Enterprise income tax</b>		
Provision for the period	1,117	2,119
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(958)	—
Income tax expense	159	2,119

*Notes:*

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

## 9 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

## Notes to the Unaudited Interim Financial Report (Cont'd)

### 10 LOSS PER SHARE

The calculation of the basic and diluted loss per share is as follows:

#### (a) Basic loss per share

	Unaudited	
	For the six months ended 30 September	
	2011	2010
Loss attributable to owners of the Company (HK\$'000)	52,033	26,295
Weighted average number of ordinary shares		
At 1 April	1,237,320,323	1,116,538,000
Effect of shares issued during the period	—	100,025,869
At 30 September	1,237,320,323	1,216,563,869
Basic loss per share (HK\$)	0.042	0.022

#### (b) Diluted loss per share

Diluted loss per share amounts for the current and prior periods are the same basic loss per share amounts as the potential ordinary shares outstanding during both periods had an anti-dilutive effect on the basic loss per share amounts for the current and prior period.

### 11 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of impairment losses) with the following ageing analysis:

	At 30 September 2011 (unaudited) HK\$'000	At 31 March 2011 (audited) HK\$'000
Current	26,936	24,429
Less than 3 months past due	8,352	10,172
3 to 6 months past due	1,979	1,687
Over 6 months past due	6,179	3,486
Total debtors, net of impairment losses	43,446	39,774
Deposits, prepayments and other receivables	56,037	70,389
	99,483	110,163

## 11 TRADE AND OTHER RECEIVABLES (continued)

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

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

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

## 12 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	<b>30 September 2011 (unaudited) HK\$'000</b>	31 March 2011 (audited) HK\$'000
Due within 3 months or on demand	<b>20,369</b>	8,473
Due after 3 months but within 6 months	<b>1,615</b>	93
Due after 6 months	<b>255</b>	7
Trade creditors	<b>22,239</b>	8,573
Receipts in advance	<b>16,525</b>	13,948
VAT and other tax payables	<b>1,599</b>	356
Provision for onerous contracts	<b>3,048</b>	3,048
Accrued charges and other payables	<b>25,639</b>	29,643
	<b>69,050</b>	55,568

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

## Notes to the Unaudited Interim Financial Report (Cont'd)

### 13 SHARE CAPITAL

	Unaudited		Audited	
	At 30 September 2011		At 31 March 2011	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<b>3,000,000</b>	<b>300,000</b>	3,000,000	300,000
Issued and fully paid:				
At the beginning of the period	<b>1,237,230</b>	<b>123,732</b>	1,116,538	111,654
Shares issued under share placement	—	—	83,543	8,354
Shares issued under share option schemes	—	—	44,850	4,485
Shares issued upon conversion of convertible bond	—	—	19,441	1,944
Share repurchased	—	—	(27,052)	(2,705)
At the end of the period	<b>1,237,230</b>	<b>123,732</b>	1,237,320	123,732

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares ranked equally with regard to the Company's residual assets.

### 14 CAPITAL COMMITMENTS

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Contracted for	<b>3,348</b>	3,249

### 15 RELATED PARTY TRANSACTIONS

On 28 March 2011, the Group entered into agreements on acquisition of three properties from Mr. Tse, the Chairman, an executive director and a controlling shareholder of the Company. The transactions had been completed on 29 September 2011 at an aggregate consideration of approximately HK\$8,479,000.