ARTINI

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 2012. The interim financial statements have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012
(Expressed in Hong Kong dollars)

		Unaudited For the six months ended 30 September	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Turnover	4	**105,732**	171,466
Cost of sales		**(55,219)**	(112,344)
Gross profit		**50,513**	59,122
Other revenue	5	**1,842**	1,581
Other net (losses) gains	6	**(1,024)**	2,408
Selling and distribution costs		**(44,833)**	(79,129)
Administrative expenses		**(23,751)**	(23,812)
Other operating expenses		**(314)**	(11,714)
Loss from operations		**(17,567)**	(51,544)
Finance costs	7(a)	**(808)**	(597)

		Unaudited For the six months ended 30 September	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Loss before taxation	7	**(18,375)**	(52,141)
Income tax	8	**(506)**	(159)
Loss for the period		**(18,881)**	(52,300)
Attributable to:			
Owners of the Company		**(18,868)**	(52,033)
Non-controlling interests		**(13)**	(267)
Loss for the period		**(18,881)**	(52,300)
Loss per share *(HK$)*	10		
Basic and diluted		**(0.015)**	(0.042)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012
(Expressed in Hong Kong dollars)

	Unaudited For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Loss for the period	**(18,881)**	(52,300)
Other comprehensive income:		
Exchange differences on consolidation	**(637)**	5,695
Total comprehensive loss for the period, net of tax	**(19,518)**	(46,605)
Attributable to:		
Owners of the Company	**(19,505)**	(46,338)
Non-controlling interests	**(13)**	(267)
Total comprehensive loss for the period, net of tax	**(19,518)**	(46,605)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012
(Expressed in Hong Kong dollars)

	Note	**As at 30 September 2012 (unaudited)** *HK$'000*	As at 31 March 2012 (audited) *HK$'000*
Non-current assets			
Fixed assets			
— Property, plant and equipment		**62,037**	68,824
— Investment properties		**8,076**	8,306
— Interests in leasehold land held for own use under operating leases		**8,831**	9,208
Intangible assets		**1,797**	3,180
Rental deposits		**2,079**	3,093
Deferred tax assets		**11,808**	11,841
		94,628	104,452
Current assets			
Trading securities		**1,702**	4,891
Inventories		**81,056**	65,327
Trade and other receivables	11	**63,065**	69,070
Current tax recoverable		**955**	955
Cash and cash equivalents		**70,989**	96,163
		217,767	236,406
Current liabilities			
Trade and other payables	12	**54,758**	57,402
Bank loans		**15,616**	20,101
Obligations under finance leases		**558**	1,067
Current tax payable		**1,079**	1,428
		72,011	79,998
Net current assets		**145,756**	156,408
Total assets less current liabilities		**240,384**	260,860

	Note	**As at 30 September 2012 (unaudited)** ***HK$'000***	As at 31 March 2012 (audited) *HK$'000*
Non-current liabilities			
Obligations under finance leases		**—**	81
Deferred tax liabilities		**605**	607
		605	688
NET ASSETS		**239,779**	260,172
CAPITAL AND RESERVES			
Share capital	13	**123,732**	123,732
Reserves		**115,778**	135,948
Total capital and reserves attributable to owners of the Company		**239,510**	259,680
Non-controlling interests		**269**	492
TOTAL EQUITY		**239,779**	260,172

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 COMPANY BACKGROUND

The Company was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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 2011/2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012/2013 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 2011/12 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 2011/12 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 2012 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 2012 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 2012 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 March 2012, 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 2012:

Amendments to HKFRS 7	*Disclosures — Transfers of Financial Assets*[1]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*[2]

1 Effective for the annual periods beginning on or after 1 July 2011
2 Effective for the annual periods beginning on or after 1 January 2012

The adoption of these new or revised Hong Kong Financial Reporting Standards in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted any new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning 1 April 2012. 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 2012 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

4 SEGMENT REPORTING

The segment results for the six months ended 30 September 2012 and 2011 are presented below:

	Six months ended 30 September 2012 — unaudited					
	Retailing and distribution					
	Mainland China	**Hong Kong and Macao**	**Sub-total**	**CDM sales**	**Inter-segment elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**18,012**	**4,830**	**22,842**	**82,890**	**—**	**105,732**
Inter-segment revenue	**—**	**—**	**—**	**5,650**	**(5,650)**	**—**
Reportable segment revenue	**18,012**	**4,830**	**22,842**	**88,540**	**(5,650)**	**105,732**
Reportable segment profit/(loss)	**(12,376)**	**(6,248)**	**(18,624)**	**24,091**	**—**	**5,467**
Unallocated expenses						**(24,348)**
Loss for the period						**(18,881)**

	Six months ended 30 September 2011 — unaudited					
	Retailing and distribution					
	Mainland China	Hong Kong and Macao	Sub-total	CDM sales	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	29,490	12,731	42,221	144,964	(15,719)	171,466
Reportable segment profit/(loss)	(27,964)	(5,373)	(33,337)	13,831	—	(19,506)
Unallocated expenses						(32,794)
Loss for the period						(52,300)

5 OTHER REVENUE

	Unaudited For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Dividend income from listing securities	**—**	47
Services income	**16**	1,189
Rental income	**255**	—
Interest income	**1,317**	309
Others	**254**	36
	1,842	1,581

6 OTHER NET (LOSSES) GAINS

	Unaudited For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Net exchange losses	**(423)**	(692)
Net loss on disposal of property, plant and equipment	**—**	(9)
Net realised and unrealised gains (losses) on trading securities	**199**	(9,860)
Compensation for termination of licence	**(800)**	—
Compensation for losses on a fire accident	**—**	9,369
Reversal of allowance for impairment loss on loan receivable	**—**	3,600
	(1,024)	2,408

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Unaudited For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	**770**	504
Finance charges on obligations under finance leases	**38**	93
	808	597
(b) Other items:		
Depreciation		
— assets held for use under finance lease	**373**	600
— other assets	**6,930**	13,006
Amortisation — Intangible assets	**1,500**	2,612
Advertising and promotion expenses	**7,494**	4,209
Operating lease charges in respect of properties:		
— minimum lease payments	**12,862**	23,387
— contingent rent	**2,204**	5,620

8 INCOME TAX

	Unaudited For the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits tax		
Under-provision in prior years	**148**	—
Current tax — PRC Enterprise income tax		
Provision for the period	**789**	1,117
Over-provision in prior years	**(431)**	—
Deferred tax		
Origination and reversal of temporary differences	**—**	(958)
Income tax expense	**506**	159

Notes:

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands (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 for the six months ended 30 September 2012 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 People's Republic of China (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.

(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 2012 (six months ended 30 September 2011: Nil).

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 **2012**	2011
Loss attributable to owners of the Company *(HK$'000)*	**18,868**	52,033
Weighted average number of ordinary shares At 1 April and at 30 September	**1,237,320,323**	1,237,320,323
Basic loss per share *(HK$)*	**0.015**	0.042

(b) Diluted loss per share

Diluted loss per share amounts for the current and prior periods are the same as the 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 periods.

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 2012 (unaudited) *HK$'000*	At 31 March 2012 (audited) *HK$'000*
Current	**21,112**	18,335
Less than 3 months past due	**12,588**	11,282
3 to 6 months past due	**5,157**	2,468
Over 6 months past due	**5,793**	1,695
Total debtors, net of impairment losses	**44,650**	33,780
Deposits, prepayments and other receivables	**18,415**	35,290
	63,065	69,070

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:

	30 September 2012 (unaudited) *HK$'000*	31 March 2012 (audited) *HK$'000*
By date of invoice:		
Within 3 months	**10,632**	10,760
More than 3 months but within 6 months	**2,452**	1,842
More than 6 months but within 1 year	**2,174**	1,255
Over 1 year	**569**	74
Trade creditors	**15,827**	13,931
Receipts in advance	**11,004**	11,036
VAT and other tax payables	**1,578**	1,552
Provision for onerous contracts	**1,174**	1,188
Accrued charges and other payables	**25,175**	29,695
	54,758	57,402

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.

13 SHARE CAPITAL

	Unaudited At 30 September 2012		Audited At 31 March 2012	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid:				
At the beginning and the end of the period	**1,237,320,323**	**123,732**	1,237,320,323	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 2012 (unaudited) *HK$'000*	31 March 2012 (audited) *HK$'000*
Contracted for	**3,348**	3,364

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2012 (the "Period"), the Group recorded a total turnover of approximately HK$105,732,000 (2011: HK$171,466,000), representing a decrease of 38.3% as compared with the same period last year. The decrease was mainly due to the reduction in retail points compared with the same period last year following the strategic restructuring of the Group's overall business development. Gross profit was HK$50,513,000 (2011: HK$59,122,000), representing a decrease of 14.6% as compared with the same period last year. During the Period, loss attributable to the owners of the Company further narrowed to HK$18,868,000 (2011: loss of HK$52,033,000). Loss per share was HK$0.015 (2011: loss of HK$0.042).

Retail Business

The Group continued to simultaneously develop the retail business of its proprietary brands "Artini" and "Q'ggle". During the Period, the Group's "Artini" brand launched the "Phoenix Uprising (鳳凰再現)" series with satisfactory results. It is expected that the Group will present more fashionable jewellery series with higher quality to its customers after the restructuring of its business.

During the Period, the Group adhered to stringent cost control measures by undergoing internal resources integration, streamlining the labour structure and cutting down expenses. Meanwhile, the Group reorganised its retail network by strategically closing down certain retail shops with unsatisfactory performance so as to lower operating costs. As at 30 September 2012, the Group had approximately 30 retail points (2011: 100 retail points) in total throughout Mainland China and Hong Kong, covering more than 10 cities in the People's Republic of China ("PRC"). During the Period, the retail business recorded a turnover of HK$22,842,000 (2011: HK$42,221,000), accounting for approximately 21.6% of the Group's total turnover and representing a decrease of 45.9% compared with the same period last year. The Group will continue to strengthen the distributorship business model to expand its sales network and online marketing resources, and restructure its business development in a more cost-effective manner.

Through consistently adopting the Customer Relationship Management ("CRM") plan, the Group was able to enhance the loyalty of its customers. As at 30 September 2012, the number of VIP customers of "Artini" was 113,411, representing an increase of 4.7% over the same period last year; while the number of VIP customers of "Q'ggle" increased by 3.9% to 52,477. Loyal customers contributed the majority of the Group's revenue. By analyzing the shopping habits of our VIP customers, the Group has strategically planned and promoted our retail business and other promotional activities to further develop a series of new products catering to our customers' preferences.

Concurrent Design Manufacturing ("CDM") Business

Due to the ongoing economic uncertainty in Europe and the United States, the Group's CDM business recorded a decrease of 35.9% from the same period last year to HK$82,890,000 (2011: HK$129,245,000) during the Period.

During the Period, the Group actively maintained close cooperation with internationally renowned brands, concurrently designed and manufactured their branded products, and ultimately exported and distributed these products worldwide. The internationally renowned brands that are in cooperation with the Group include Marks & Spencer, Disney, Nine West, Nautica, Guess, Carolee, Tchibo, etc.

The Group has been actively expanding its business in the gift and premium goods market in the PRC through providing one-stop gift and premium goods services to large domestic enterprises. The Group is also setting up a showroom in its Hong Kong's headquarters to give its customers a personal experience on the unique design and exquisite craftsmanship of the Group's products. Through online advertising of its proprietary gifts and CDM business, the Group expects to attain a higher marketing profile and related recognition. During the Period, the Group provided gifts and premium goods production services for Bank of China, China Post, Proya, etc.

Financial Review

For the Period, the Group recorded a total turnover of approximately HK$105,732,000, representing a decrease of 38.3% as compared with the same period in 2011. The decrease was mainly due to the restructuring of the Group's business and the retail points. During the Period, the turnover of the retailing and distribution and CDM businesses were HK$22,842,000 and HK$82,890,000 respectively, accounting for 21.6% and 78.4% of the total turnover of the Group. The Group's turnover was mainly derived from the European, PRC (including Hong Kong), American and Russian markets, which accounted for 38.7%, 21.4%, 18.8% and 8.7% of the total turnover respectively, while the percentages for the same period last year were 31.1%, 34.7%, 13.8% and 9.04% respectively.

During the Period, gross profit decreased by 14.6% to HK$50,513,000. Gross profit margin increased to 47.8% (2011: 34.5%). The cost of sales for the Period dropped by 50.8% from approximately HK$112,344,000 for the six months ended 30 September 2011 to HK$55,219,000. Due to changes in customer mix, the decrease in the cost of raw materials and stringent cost control, the overall gross profit margin was increased.

Selling and distribution costs for the Period decreased by 43.3% to HK$44,833,000 as compared to HK$79,129,000 for the corresponding period in 2011. This was mainly due to the gradual closure of stores with high rental or low profitability, and diverting distribution channels towards the distributorship business model and online sales platforms.

Income tax increased from HK$159,000 for the six months ended 30 September 2011 to HK$506,000 for the Period.

Liquidity and Financial Resources

As at 30 September 2012, the bank loan of the Group amounted to HK$15,616,000, which was denominated in Renminbi and secured by the pledging of a property with a carrying value of HK$22,304,000 and repayable by 14 December 2013. As it was a loan containing a term that gave the bank an overriding right to demand repayment at any time without notice or with notice period of less than 12 months at its sole discretion, it was classified as a current liability even though the Directors did not expect that the bank would exercise its rights to demand repayment.

Apart from this bank loan, the Group also obtained general banking facilities which were secured by legal charges over certain of its properties with an aggregate carrying value of HK$4,020,000 (31 March 2012: HK$4,091,000) and cross corporate guarantee given by the Group. At the end of the period, banking facilities available to the Group amounted to HK$503,000 (31 March 2012: HK$503,000), which were utilised by the Group to the extent of HK$463,000 (31 March 2012: HK$463,000).

As at 30 September 2012, the Group's obligations under finance leases amounted to HK$558,000. 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 23.0% as at 30 September 2012 (31 March 2012: 24.0%). The Group had time deposits and cash balances as at 30 September 2012 amounted to HK$70,989,000 (31 March 2012: HK$96,163,000).

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 minimise credit risk in its business.

Dividend

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

Foreign Exchange Exposure

The main business activities of the Group take place in the PRC, the United States, Europe and Hong Kong with most transactions settled in Renminbi, United States dollars and Hong Kong dollars. Accordingly, the Board considers that the potential foreign exchange exposure of the Group is relatively limited. Moreover, the Group has not used any forward contracts or hedging products to hedge its interest rate or exchange rate risks during the Period. The management will, nonetheless, continue to monitor foreign currency risks and to learn more relevant information from financial institutions. During the Period, the Group recorded a net exchange loss of approximately HK$423,000.

Significant Investments and Acquisitions

During the Period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries or associated companies. The Group continues to seek opportunities to acquire and cooperate with international customers in order to generate better returns for its shareholders and the Board will decide what the best available source of funding is for investments and acquisitions when suitable opportunities arise.

Capital Commitments

As at 30 September 2012, the capital commitments contracted for were HK$3,348,000 (31 March 2012: HK$3,364,000).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2012 (2011: Nil).

Human Resources

As at 30 September 2012, the Group had approximately 1,000 employees. During the Period, the total staff cost including directors' emoluments amounted to approximately HK$26,832,000. To enhance the expertise, product knowledge, marketing skills and overall operational management skills of its employees, the Group organised regular training and development courses for its employees, and provided them with a competitive remuneration package, including salary, allowance, insurance, commission and bonus. Meanwhile, in order to create a harmonious and family-like working atmosphere, the Group emphasizes on listening to employees and continually developing paths for staff promotion.

Investor Relations

The Group strongly believes that investor relations are important to a listed company. Maintaining 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 its corporate position. Our investor relationship representatives will more actively participate in various investor-related activities.

Prospects

During the Period, the management mainly worked on broadening sources of income, reducing unnecessary expenditures and costs and modifying management structure. Also, there were considerable achievements in enhancing motivation and quality of staff and promoting corporate culture. Looking ahead, on the ground of the above, the management will devote more efforts to expand business and sales channels, develop products and promote brand image for both retail and CDM businesses.

In respect of its brand business and to gear up for the development of retail business, the Group will strengthen online sales channels to broaden its source of income in the future. With stringent requirements on aesthetic value from our own design team, the Group will deliver premium and fashionable accessories that blends precious gemstones with unique designs and exquisite craftsmanship, so as to give a refreshing experience to its customers. On top of this, the Group also intends to further explore the high-end accessory market, enhance product value and diversify its customer base.

Besides, the Group proactively seeks to cooperate with different brands. It promoted the brand "Artini" in high-class events such as fashion shows and fashion culture exhibitions, with an aim to raise brand awareness among its target customers and maximise returns for the Group.

For its CDM business, the Group plans to tap into new regions and markets to identify more potential customers. In line with its business development, the Group will focus on providing the marketing team with professional training on product details, so that they can give detailed presentations to customers, thereby improving customer service standard and enhancing customer satisfaction. The Group cooperated with a number of large enterprises by designing and manufacturing souvenirs. Aside from maintaining close relationship with these enterprises, the Group will continue to identify new customers and enrich its product portfolio by using new materials, in a bid to seize greater opportunities. Apart from that, the Group will attach more importance to the expansion and development of the gifts market in the Mainland. Discussions on product line, pricing and positioning will be carried out to formulate a suitable development strategy for the Mainland market.

Sound business development rides on the total devotion of the Group's professional team. In view of this, the Group will spend more efforts on strengthening internal corporate cultures by promoting the corporate spirit of "Artini is Me". It will also provide regular training on manner, communication, management skills and team spirit for all staff members, in order to improve communication and cooperation among them and increase their working efficiency and sense of belonging. The Group would like to pursue future growth together with its employees.

Moreover, the Group will induce professional management personnel to join the team, in the hope that their extensive experience will lead to breakthroughs in raising the efficiency of the daily operations of the Group. Such professionals are also expected to support business expansion and generate long-term returns by leading the team to further develop new products and markets, promote the refined and fashionable products of the Group and solidify its corporate image by organising more marketing activities.

CORPORATE GOVERNANCE

Corporate Governance Practice

The Company has adopted the Corporate Governance Code (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 the code provisions in the CG Code for the Period, except for the following deviations:

(1) Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 April 2012 to 13 August 2012, the roles of chairman and chief executive officer of the Company were performed by Mr. Tse Chiu Kwan. From 14 August 2012 onwards, Ms. Yip Ying Kam is confirmed as the chief executive officer of the Company while Mr. Tse Chiu Kwan is re-designated as non-executive chairman and non-executive director of the Company, which allows a segregation of the roles of chairman and chief executive of the Company in accordance with the CG Code.

(2) Code provision E.1.2 of the CG Code provides, inter alia, that the chairman of the board should attend the annual general meeting. The chairman of the Board was absent from the last annual general meeting of the Company held on 10 September 2012 (the "AGM") due to health conditions. However, the chairmen of the audit, remuneration and nomination committees of the Company attended the AGM. The Company's external auditor also attended the AGM to ensure questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence could be answered when necessary.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. The Company was not in compliance with Rule 3.10(1) since the resignation of Mr. Fan Chung Yue, William as an independent non-executive director of the Company, members of the audit and nomination committees of the Company and chairman of the remuneration committee of the Company, with effect from 8 May 2012, which the number of independent non-executive directors of the Company reducing to two thereafter. In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcements containing the relevant details and reasons for the Company's failure to meet the requirements. On 29 June 2012, the Company appointed Mr. Chan Shu Hung Joseph as an independent non-executive director of the Company and the requirement under the Listing Rules has been complied with since then.

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 of the Company (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. Lau Yiu Kit and Mr. Chan Shu Hung Joseph, 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. Chan Shu Hung Joseph (Chairman), Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the independent non-executive Directors and Mr. Tse Chiu Kwan, a non-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.

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. Lau Yiu Kit and Mr. Chan Shu Hung Joseph, the independent non-executive Directors and Mr. Tse Chiu Kwan, a non-executive Director. The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement of unaudited interim results for the six months ended 30 September 2012 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-china.com.

The 2012 interim report of the Company will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
Artini China Co. Ltd.
Yip Ying Kam
Executive Director

Hong Kong, 28 November 2012

As at the date of this announcement, the executive Director is Ms. Yip Ying Kam; the non-executive Director is Mr. Tse Chiu Kwan and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Chan Shu Hung Joseph.