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 2014

The board (the "Board") of directors (the "Directors") of Artini China Co. Ltd. (the "Company") hereby presents the unaudited consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2014. 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 2014
(Expressed in Hong Kong dollars)

		For the six months ended 30 September (unaudited)	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**69,100**	115,015
Cost of sales		**(61,624)**	(87,676)
Gross profit		**7,476**	27,339
Other revenue	*5*	**223**	643
Other net gains (losses)	*6*	**310**	(5,612)
Selling and distribution costs		**(8,139)**	(29,381)
Administrative expenses		**(34,200)**	(24,668)
Other operating expenses		**(10)**	(1,022)
Loss from operations		**(34,340)**	(32,701)
Finance costs	*7*	**(1,048)**	(653)

	Notes	For the six months ended 30 September (unaudited) 2014 HK$'000	2013 HK$'000
Loss before taxation	*7*	**(35,388)**	(33,354)
Income tax	*8*	**–**	–
Loss for the period		**(35,388)**	(33,354)
Loss per share *(HK$)*			
Basic and diluted	*10*	**(0.029)**	(0.027)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014
(Expressed in Hong Kong dollars)

	For the six months ended 30 September (unaudited)	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period	**(35,388)**	(33,354)
Other comprehensive income:		
Exchange differences on consolidation	**(416)**	1,328
Total comprehensive loss for the period, net of tax	**(35,804)**	(32,026)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

(Expressed in Hong Kong dollars)

	Notes	**As at 30 September 2014 (unaudited)** ***HK$'000***	As at 31 March 2014 (audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**29,024**	32,772
Investment properties		**9,093**	9,090
Interests in leasehold land held for own use under operating leases		**7,538**	7,717
Rental deposits		**714**	954
Deferred tax assets		**640**	628
		47,009	51,161
Current assets			
Inventories		**8,770**	12,864
Trade and other receivables	*11*	**61,627**	49,657
Prepaid lease payments		**536**	551
Amount due from related companies		**–**	129
Current tax recoverable		**–**	19
Pledged bank deposits and cash and cash equivalents		**8,493**	11,717
		79,426	74,937
Current liabilities			
Trade and other payables	*12*	**68,232**	37,484
Borrowings		**19,000**	26,350
Amount due to a director	*13*	**13,000**	–
Amount due to a related company		**–**	20
Current tax payable		**2,635**	2,693
		102,867	66,547
Net current (liabilities) assets		**(23,441)**	8,390
Total assets less current liabilities		**23,568**	59,551

	Note	As at 30 September 2014 (unaudited) *HK$'000*	As at 31 March 2014 (audited) *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**148**	148
		148	148
NET ASSETS		**23,420**	59,403
CAPITAL AND RESERVES			
Share capital	*14*	**123,732**	123,732
Reserves		**(100,312)**	(64,329)
TOTAL EQUITY		**23,420**	59,403

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 2013/2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014/2015 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 2013/2014 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 2013/2014 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 2014 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 2014 are available from the Company's registered office.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014. In the current interim period, the Group has applied, for the first time, certain new or revised standards, amendments and interpretations (the "New or Revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 April 2014. The application of these New or Revised HKFRSs 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 the following new or revised standards and amendments that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of these amendments to HKFRSs and new interpretation did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

The directors of the Company anticipate that the application of the above new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

4 SEGMENT REPORTING

The segment results for the six months ended 30 September 2014 and 2013 are presented below:

	Six months ended 30 September 2014 – unaudited					
	Retailing and distribution					
	Mainland China	**Hong Kong**	**Sub-total**	**CDM sales**	**Inter-segment elimination**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**3,775**	**1,631**	**5,406**	**63,694**	**–**	**69,100**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**–**
Reportable segment revenue	**3,775**	**1,631**	**5,406**	**63,694**	**–**	**69,100**
Reportable segment profit/(loss)	**(9,028)**	**(2,802)**	**(11,830)**	**(16,319)**	**–**	**(28,149)**
Unallocated expenses						**(7,239)**
Loss for the period						**(35,388)**

	Six months ended 30 September 2013 – unaudited					
	Retailing and distribution					
	Mainland China	Hong Kong	Sub-total	CDM sales	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	13,743	6,194	19,937	95,078	–	115,015
Inter-segment revenue	–	–	–	7,047	(7,047)	–
Reportable segment revenue	13,743	6,194	19,937	102,125	(7,047)	115,015
Reportable segment profit/(loss)	(11,236)	(5,299)	(16,535)	1,174	–	(15,361)
Unallocated expenses						(17,993)
Loss for the period						(33,354)

5 OTHER REVENUE

	For the six months ended 30 September (unaudited)	
	2014	2013
	HK$'000	*HK$'000*
Rental income	**69**	20
Interest income	**22**	37
Others	**132**	586
	223	643

6 OTHER NET GAINS (LOSSES)

	For the six months ended 30 September (unaudited)	
	2014	2013
	HK$'000	*HK$'000*
Net exchange gains	**373**	1,862
Net losses on disposals of property, plant and equipment	**(1,757)**	(1,983)
Net gain on disposals of Disposed Companies	**164**	–
Impairment losses recognised in respect of property, plant and equipment	**–**	(3,745)
Impairment losses recognised in respect of trade receivables	**–**	(1,746)
Reversal of impairment losses on other receivables recognized	**1,530**	–
	310	(5,612)

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	For the six months ended 30 September (unaudited)	
	2014	2013
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	**1,048**	637
Finance charges on obligations under finance leases	**–**	16
	1,048	653
(b) Other items:		
Depreciation		
– assets held for use under finance lease	**–**	80
– other assets	**1,259**	4,439
– Investment properties	**256**	402
Amortization of prepaid lease payment	**267**	266
Operating lease charges in respect of properties:		
– minimum lease payments	**5,230**	6,416
– contingent rent	**–**	1,190
Cost of inventories recognised as an expense *(note)*	**61,624**	84,954

Note:

Included in the cost of inventories recognised as an expense is Nil for the six months ended 30 September 2014 (for the six months ended 30 September 2013: HK$4,917,000), related to the write-down of closing inventories.

8 INCOME TAX

	For the six months ended 30 September (unaudited)	
	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits tax		
Under-provision in prior years	**–**	–
Current tax – PRC Enterprise income tax		
Provision for the period	**–**	–
Over-provision in prior years	**–**	–
Income tax expense	**–**	–

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 2013 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 2014 (for the six months ended 30 September 2013: Nil).

10 LOSS PER SHARE

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

(a) Basic loss per share

	For the six months ended 30 September (unaudited)	
	2014	2013
Loss attributable to owners of the Company *(HK$'000)*	**35,388**	33,354
Weighted average number of ordinary shares		
At 1 April and at 30 September *(number of shares)*	**1,237,320,323**	1,237,320,323
Basic loss per share *(HK$)*	**0.029**	0.027

(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:

	As at 30 September 2014 (unaudited) *HK$'000*	As at 31 March 2014 (audited) *HK$'000*
Trade debtors		
Current	**18,638**	11,344
Less than 3 months past due	**2,966**	6,816
3 to 6 months past due	**15,528**	2,931
Over 6 months past due	**8,952**	3,370
Total trade debtors, net of impairment losses	**46,084**	24,461
VAT and other tax receivables	**796**	–
Deposits, prepayments and other receivables	**14,747**	25,196
	61,627	49,657

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:

	As at 30 September 2014 (unaudited)	As at 31 March 2014 (audited)
	HK$'000	*HK$'000*
Trade creditors		
By date of invoice:		
Within 3 months	**2,444**	4,844
More than 3 months but within 6 months	**351**	347
More than 6 months but within 1 year	**3,089**	510
Over 1 year	**23**	334
Trade creditors	**5,907**	6,035
Receipts in advance	**8,190**	4,491
VAT and other tax payables	**–**	2,490
Accrued wages and staff costs	**11,957**	9,098
Accrued charges and other payables	**42,178**	15,370
	68,232	37,484

All of the trade and other payables are expected to be settled within one year.

13 AMOUNT DUE TO A DIRECTOR

Unsecured loans of HK$13,000,000 granted by Mr. Tse, a controlling shareholder of the Company which are interest-free and are repayable on demand.

14 SHARE CAPITAL

	Unaudited As at 30 September 2014		Audited As at 31 March 2014	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'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.

15 CAPITAL COMMITMENTS

	As at 30 September 2014 (unaudited)	As at 31 March 2014 (audited)
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
– Contracted for but not provided in the condensed consolidated financial statements	**3,461**	3,586

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2014 (the "Period"), the Group recorded a total turnover of approximately HK$69,100,000 (for the six months ended 30 September 2013: approximately HK$115,015,000), representing a decrease of approximately 39.9% as compared with the same period last year. Gross profit was approximately HK$7,476,000 (for the six months ended 30 September 2013: approximately HK$27,339,000), representing a decrease of approximately 72.7% as compared with the same period last year. During the Period, loss attributable to the owners of the Company further widened to approximately HK$35,388,000 (for the six months ended 30 September 2013: loss of approximately HK$33,354,000). The increase of loss for the Period is attributable to (i) the decrease in the Group's revenue of approximately 40% for the six-month period ended 30 September 2014 as compared to that of the corresponding period in 2013; and (ii) continuous increase in manufacturing cost. Loss per share was HK$0.029 (for the six months ended 30 September 2013: loss of HK$0.027).

In the face of continuous economic uncertainties in Europe and Mainland China, our target customers in both markets were affected during the Period, resulting in weaker consumer sentiment.

Retail Business

During the Period, the Group's retail business was affected by the weakened consumer sentiment caused by economic uncertainties in our target market and intense market competition. To ease such impacts, the Group strategically reorganised its retail network through integrating internal resources and adopting stringent cost control measures. As at 30 September 2014, the Group had a total of approximately 10 retail points (As at 30 September 2013: 11 retail points) throughout the PRC and Hong Kong. During the Period, the retail business recorded a turnover of approximately HK$5,406,000 (for the six months ended 30 September 2013: approximately HK$19,937,000), accounting for approximately 7.8% of the Group's total turnover and representing a decrease of approximately 72.9% as compared with the same period last year.

During the Period, the turnover in retailing and distribution business decreased significantly mainly due to the strategical restructures on retailing such as closures on the shops with significant losses and reduction on low-efficient promotion activities. However, the performance of the retailing and distribution business improved and the losses from the retailing and distribution segment were approximately HK$11,830,000, compared with the losses for the previous period of approximately HK$16,535,000. The decrease by 28.5% in the losses during the Period was mainly resulted from our better cost control and success in change in strategy.

As at 30 September 2014, the number of VIP customers of “Artini” was 134,210, representing an increase of 16.0% over the same period last year. The Group believed that loyal customers contributed a key portion of the Group’s revenue. By analyzing the shopping habits of our VIP customers and thereby understanding their preferences, the Group has consistently developed new series of products and strategically organised promotional activities to raise brand awareness among its existing and potential customers.

Concurrent Design Manufacturing (“CDM”) Business

During the Period, the Group maintained close cooperation with internationally renowned brands to concurrently design and manufacture their branded products, and ultimately export and distribute these products worldwide. Such internationally renowned brands include Debenhams, Disney, Marks & Spencer, Tchibo and Vivienne Westwood.

During the Period, Europe, one of our principal regions of operations, was still facing challenging economic environments, resulting in a drop in its demand on imports, which consequently led to the unsatisfactory performance of the Group’s CDM business. Our export business was affected by the intense market competition from manufacturers in Hong Kong, Mainland China and South Asia. The Group’s CDM business recorded a turnover of approximately HK$63,694,000 (for the six months ended 30 September 2013: approximately HK$95,078,000), representing a approximately 33.0% decrease from the same period of last year and accounting for 92.2% of the total turnover.

The performance of the CDM business in the Period also remained unsatisfactory and the loss of the CDM segment was approximately HK$16,319,000, compared with the profit for the previous period of approximately HK$1,174,000. Due to the unsatisfactory selling price of the products as a result of the keen competition from manufacturers in Hong Kong, Mainland China and South Asia, and continuous inflation in the manufacturing cost in Guangdong Province, the CDM segment experienced losses for the six-month period ended 30 September 2014.

Financial Review

For the Period, the Group recorded a total turnover of approximately HK$69,100,000, representing a decrease of 39.9% as compared with the same period in 2013. 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 approximately HK$5,406,000 and approximately HK$63,694,000 respectively, accounting for approximately 7.8% and approximately 92.2% of the total turnover of the Group. The Group's turnover was mainly derived from the European, PRC (including Hong Kong), American and other markets, which accounted for 60.9%, 17.9%, 15.0% and 6.2% of the total turnover respectively, while the percentages for the same period last year were 34.2%, 35.2%, 17.8% and 6.1% respectively.

During the Period, gross profit decreased by approximately 72.7% to approximately HK$7,476,000. Gross profit margin decreased to approximately 10.8% (for the six months ended 30 September 2013: approximately 23.8%). The cost of sales for the Period decreased by approximately 29.7% from approximately HK$87,676,000 for the six months ended 30 September 2013 to approximately HK$61,624,000. The decrease in cost of sales is mainly resulted from the decrease in the operation scale along with turnover. However, since the decrease in turnover was greater than the decrease in cost of sales, the gross profits experienced an overall decrease.

Selling and distribution costs for the Period decreased by approximately 72.3% to approximately HK$8,139,000 as compared to approximately HK$29,381,000 for the corresponding period in 2013. This decrease in selling expenses is mainly resulted from the stronger cost control over the Group on promotion and advertising channels.

The Group did not incur any income tax for the six months ended 30 September 2014 (for the six months ended 30 September 2013: Nil).

Liquidity and Financial Resources

As at 30 September 2014, the borrowing of the Group amounted to approximately HK$19,000,000, which was denominated in Hong Kong dollar, secured by a pledge over a property with a carrying value of approximately HK$6,870,000 and was repayable by 28 January 2015 or otherwise of demand. As such, it was classified as a current liability.

As at 30 September 2014, Mr. Tse, a controlling shareholder of the Group, advanced unsecured loans of approximately HK$13 million in aggregate which are interest-free and repayable on demand.

Apart from the borrowings, the Group has pledged bank deposits of approximately HK$800,000 to secure for bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

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 gain of approximately HK$373,000.

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.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2014 (31 March 2014: Nil).

Human Resources

As at 30 September 2014, the Group had approximately 380 employees. During the Period, the total staff cost including directors' emoluments amounted to approximately HK$9,328,000. 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, conditions in the retail market remained challenging, and it was expected to take a prolonged period of time and more twists and turns before a recovery would happen. Meanwhile, market competition has become more intensified. In light of the above, the Group will adopt a proactive and prudent strategy towards brand building for its ongoing business operation. On one hand, the Group will continue its effort on streamlining its underlying structure, integrating internal and external resources, further reduction in unneccessary expenditures and costs, and strategic closure of certain underperforming stores in order to reduce the Group's burden, streamline the Group's structure and enhance its performance. On the other hand, we will slow down our sales network expansion, and focus on improving craftsmanship, enhancing quality and endeavour to achieve the highest quality in every Artini product. In the meantime, we will strengthen our team building by retaining and recruiting more talents, study and adjust our appraisal and incentive scheme, reinforce the obligation on business operation and highlight our efficiency-led principle so as to encourage positive contribution to promote the Company's internal production capability.

The"ARTINI" brand has undergone packaging upgrade and brand restructuring. In addition to consolidating its core business such as alloys and silver accessories, it will also diversify its product offerings, optimize product portfolio and improve the proportion of high margin products, and launch professional and differentiated innovative products with respect to market demand.

As to marketing strategies, the Group will enhance channel exploration. Leveraging on an extensive coverage of new media, we will increase interaction with consumers in an attempt to enhance customer loyalty. At the same time, we will launch an "O2O" business model through e-commerce platform to stimulate sales growth.

The Group will also strengthen its management in liquidity, internal risk and budget control. It will not only concentrate on achieving business volume growth, but will also strive to maintain high quality and sustainability of its business during the course of operations. We always stay alert of its risk and capital return and will duly review the Group's operation and strategic directions. We will consider the closure of some loss-making business and reallocate resources so as to procure better development for the Group.

The Group is continuously seeking opportunities for the Group to take on its present and futures challenges. As disclosed in the announcements dated on 23 September 2014, 9 October 2014 and 14 October 2014, the Group entered into an underwriting agreement for open offer to raise funds, an agreement for disposing a manufacturing subsidiary in the PRC and agreements in relation to disposal of the properties held as the Group's head office in Hung Hom, respectively. It is estimated that the net proceeds from the open offer, disposal of the subsidiaries and disposal of the properties are amounting to HK$183.0 million, HK$15.3 million and HK$43.6 million, respectively.

Regarding the proceeds from the open offer, the Company intends to apply such net proceeds (i) as to approximately HK$25 million will be used for expanding the existing accessories retailing business; (ii) as to approximately HK$60 million will be used for entering into retailing business of branded watches in Guangdong Province. The Group is discussing with certain distributors for potential distribution rights of both middle-end and high-end branded watches in Guangdong Province; (iii) as to approximately HK$19 million will be used for the repayment of a short-term loan from a financial institution, which is interest bearing at 10% per annum repayable in full on 28 January 2015 and secured by the Group's properties in Hong Kong in order to reduce the burden on financial cost; (iv) as to approximately HK$13 million will be used for the repayment of an amount due to the controlling shareholder of the Company, which is interest-free, unsecured and repayable on demand; and (v) the remaining net proceeds of approximately HK$66 million will be for the general working capital of the Group, mainly for the for the development and further upgrade of the Group's information system and information technology, e-advertising and general selling expenses.

Regarding the proceeds from the disposal of the subsidiaries and the properties, the Group currently plans to use (i) approximately HK$10 million for traditional offline marketing and advertising in order to facilitate the expansion of the retailing business of the Group; (ii) approximately HK$3 million for professional training for salespersons to improve the service quality and royalty of the staff; (iii) approximately HK$40 million for acquiring new office premises for the Group; and (iv) approximately HK$6.3 million for general working capital of the Group.

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 deviation:

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 21 June 2013 onwards, the roles of chairman and chief executive of the Company were performed by Mr. Tse Hoi Chau.

The Board considers that vesting the roles of chairman of the Board and chief executive of the Company in the same individual is beneficial to the business prospects and management of the Company. The Board will review the need of appointing suitable candidate to assume the role of chief executive if and when necessary.

Non-compliance with Rule 3.10(1) and 3.21 of the Listing Rules

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. The Company was not in compliance with Rule 3.10(1) and Rule 3.21 since the resignation of Mr. Li Youhuan as an independent non-executive Director, chairman of the remuneration committee of the Company, member of the audit committee and the nomination committee of the Company, with effect from 22 August 2014 after which date the number of independent non-executive Directors was reduced to two. In this regard, the Company immediately informed the Stock Exchange and published an announcement on the same date containing the relevant details and reasons for the Company's non-compliance with these requirements. To rectify this, the Company announced on 18 September 2014 that it has appointed Mr. Zeng Zhaohui as an independent non-executive Director with effect from 1 October 2014.

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 being independent non-executive Directors, namely Mr. Lau Fai Lawrence (Chairman), Mr. Lau Yiu Kit and Mr. Zeng Zhaohui, 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. Zeng Zhaohui (Chairman), Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the independent non-executive Directors and Mr. Tse Hoi Chau, 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.

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. Zeng Zhaohui, the independent non-executive Directors and Mr. Tse Hoi Chau, an executive Director. The primary function of the Nomination Committee is to review the structure, size, composition and diversity (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.

Disclosure of Changes of Information on Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of relating to Directors' remuneration which became effective from 1 September 2014 are set out as follows:

Effective from 1 September 2014, Mr. Tse Hoi Chau is entitled to a monthly salary of HK$200,000 (on a 13-month basis, HK$2,600,000 per year); Mr. Lin Shao Hua is entitled to a monthly salary of HK$30,000 (on a 13-month basis, HK$390,000 per year). Their salaries were determined by reference to the prevailing market rate.

Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit are each entitled to director's fees of HK$120,000 per annum, both of which were effective from 1 September 2014 and determined by reference to the prevailing market rate.

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 2014 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 2014 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.
Tse Hoi Chau
Chairman

Hong Kong, 28 November 2014

As at the date of this announcement, the executive Directors are Mr. Tse Hoi Chau (Chairman) and Mr. Lin Shao Hua; and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Zheng Zhaohui.