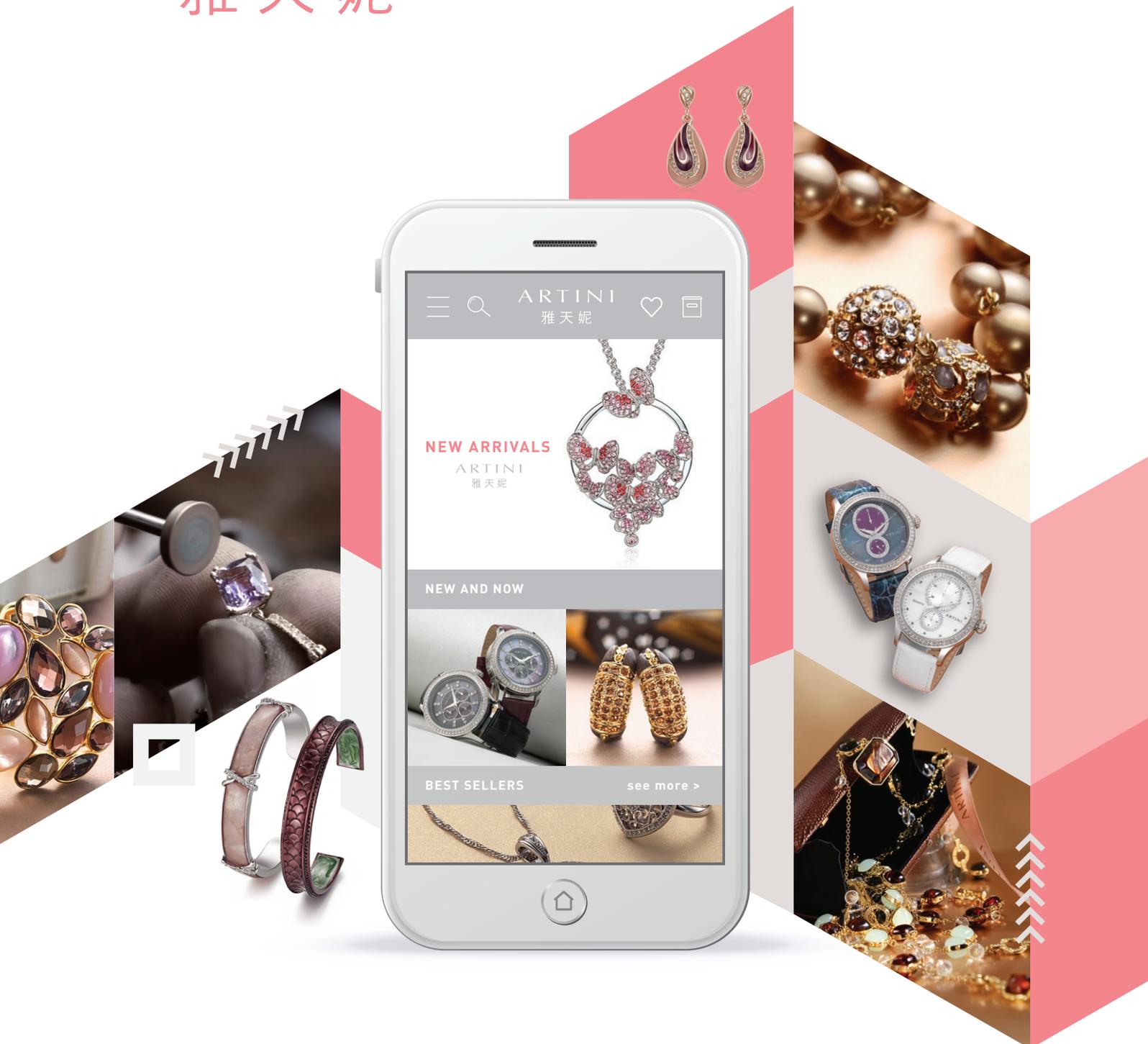


ARTINI

雅天妮



ARTINI CHINA CO. LTD. 雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立的有限公司)

Stock Code 股份代號：789

INTERIM REPORT 2016/17 中期報告

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Hoi Chau (*Chairman & Chief Executive*)
Mr. Lin Shao Hua
Mr. Leung Yiu Cho (with effect from 1 December 2016)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

AUDIT COMMITTEE

Mr. Lau Fai Lawrence (*Chairman*)
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

REMUNERATION COMMITTEE

Mr. Zeng Zhaohui (*Chairman*)
Mr. Tse Hoi Chau
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

NOMINATION COMMITTEE

Mr. Lau Fai Lawrence (*Chairman*)
Mr. Tse Hoi Chau
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

COMPANY SECRETARY

Mr. Lam Chak On

AUTHORISED REPRESENTATIVES

Mr. Tse Hoi Chau
Mr. Lam Chak On

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

(with effect from 15 December 2016)
Unit D, 16/F,
Eton Building,
288 Des Voeux Road Central,
Sheung Wan,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
The Hongkong and Shanghai Banking Corporation
Limited

Corporate Information

LEGAL ADVISERS

As to Hong Kong law

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to Bermuda law

Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

Asian Alliance (HK) CPA Limited
Suites 313–316, 3/F
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS

Principal share registrar and transfer office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar and transfer office

Union Registrars Limited
Suite 3301-04, 33/F
Two Chinachem Exchange Squares
338 King's Road
North Point, HK

LISTING EXCHANGE INFORMATION

Place of Listing

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")

Stock Code

789

COMPANY'S WEBSITE

www.artini-china.com

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 September 2016 (the “Period”), the Group recorded a total turnover of approximately HK\$29,059,000 (for the six months ended 30 September 2015: approximately HK\$10,538,000), representing an increase of approximately 175.8% as compared with the same period last year. The increase in the Group’s turnover for the Period was mainly attributable to the marked improvement in its sales to CDM customers in September 2016. Gross profit was approximately HK\$1,039,000 (for the six months ended 30 September 2015: approximately HK\$738,000), representing an increase of approximately 40.8% as compared with the same period last year. During the Period, profit attributable to the owners of the Company was approximately HK\$2,187,000 (for the six months ended 30 September 2015: loss of approximately HK\$46,021,000). The profit for the Period is attributable to (i) a reversal for impairment loss on inventories recorded in September 2016; (ii) the decrease in selling expenses during the six months ended 30 September 2016 as compared to the corresponding period in 2015; and (iii) absence of losses on disposal of the investment properties during the six months period 30 September 2016 as compared to the corresponding period in 2015. Profit per share was HK\$0.001 (for the six months ended 30 September 2015: loss of HK\$0.019).

RETAIL BUSINESS

During the Period, the Group’s retailing business was affected by the weakened consumer sentiment caused by economic uncertainties in Mainland China and the Group has completed the strategic closures of the Group’s retail shops in order to reduce its rental burdens. As at 30 September 2016, the Group had no retailing point (As at 30 September 2015, 2 retailing points) throughout the PRC. During the Period, the retail business recorded a turnover of approximately HK\$95,000 (for the six months ended 30 September 2015: approximately HK\$580,000), accounting for approximately 0.3% (2015: 5.5%) of the Group’s total turnover and representing a decrease of approximately 84.6% (2015: 29.5%) as compared with the same period last year.

The Group believes online e-commerce will be the future of the Group’s retail business. Online retail business is becoming more and more popular with aid of high penetration of smartphone device and new payment method such as mobile wallet and the Group anticipates that customer will spend more on online store rather than physical store because of the convenience of online purchases. The Group believes it is getting ready to go into the online retail area following the completion of its acquisition of a software development company in October 2016.

During the Period, the Group did not spend significantly in promotion compared with the same corresponding period in 2015. However, the management still considers the promotion of our own brand is very important. It is believed that maintenance of brand awareness depends on the continuous promotion. Once promotion suspends, we may lose the awareness on our brands from customers. The Group is in process of evaluating the new promotion strategy with the change to online selling and to keep the brand awareness.

Management Discussion and Analysis

CONCURRENT DESIGN MANUFACTURING (“CDM”) BUSINESS

CDM sales have changed to the sales of the products at the customer’s chosen level of participation in the design process, concurrently works with the customers in designing the products and coordinating the manufacturers according to the customer desired final design.

Although there is keen competition on export of the fashion accessories during the Period, the turnover still increased from HK\$9,958,000 for the six months ended 30 September 2015 to HK\$28,964,000 for the six months ended 30 September 2016, contributed by increased in sales to the United Arab Emirates market.

The turnover of export business increased significantly driving the performance of the export business improved. During the Period, CDM business making profits of approximately HK\$8,937,000 (for the six-month period ended 30 September 2015: approximately losses of HK\$713,000). Such improvement is mainly attributable to the avoidance of the fixed costs in the manufacturing, and a reversal of impairment loss on inventories.

FINANCIAL REVIEW

For the Period, the Group recorded a total turnover of approximately HK\$29,059,000, representing a increase of 175.8% as compared with the same period in 2015. During the Period, the turnover of the retailing and distribution and export businesses were approximately HK\$95,000 and approximately HK\$28,964,000 respectively, accounting for approximately 0.3% and approximately 99.7% of the total turnover of the Group. The Group’s turnover was mainly derived from The United Arab Emirates and PRC, which accounted for 68.6% and 31.4% of the total turnover for the Period respectively.

During the Period, gross profit increased by approximately 40.8% to approximately HK\$1,039,000. Gross profit margin decreased to approximately 3.6% (for the six months ended 30 September 2015: approximately 7.0%). The cost of sales for the Period increased by approximately 185.9% from approximately HK\$9,800,000 for the six months ended 30 September 2015 to approximately HK\$28,020,000 for the six months ended 30 September 2016. The increase in cost of sales is mainly resulted from the increase in the operation scale along with turnovers.

Selling and distribution costs for the Period decreased by approximately 99.5% to approximately HK\$163,000 as compared to approximately HK\$30,143,000 for the corresponding period in 2015. This decrease in selling expenses is mainly resulted from decrease in spending on the promotion of the retailing business.

The Group did not incur any income tax for the six months ended 30 September 2016 (for the six months ended 30 September 2015: Nil).

Liquidity and Financial Resources

As at 30 September 2016, the Group did not have any borrowings (As at 30 September 2015: Nil).

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.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Foreign Exchange Exposure

The main business activities of the Group take place in the PRC and Hong Kong. Accordingly, the potential foreign exchange exposure of the Group is mainly attributable to fluctuations of the Renminbi. 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\$1,788,000. The exchange losses are mainly resulted from depreciation of Renminbi during the Period.

Significant Investments and Acquisitions

In April 2016, the Group entered into an acquisition agreement to acquire a company which is principally engaged in development and selling software related applications which can be purchased by business to facilitate e-commerce of their product and services. The said acquisition completed after the reporting period on 31 October 2016.

Save as disclosed above, during the Period, the Group did not have any other 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. In addition, 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 2016 (31 March 2016: Nil).

Human Resources

As at 30 September 2016, the Group had approximately 12 employees. During the Period, the total staff cost including directors' emoluments amounted to approximately HK\$2,482,000. 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 communication with 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.

Management Discussion and Analysis

PROSPECTS

The global economy had a lacklustre performance in 2016. The Group's management, in face of difficult and complicated market environment, evidenced by product homogeneity, the lack of innovation in the industry, the risk of over-supply and the aggravation of price competition, has timely adjusted the business strategy based on the market conditions to achieve growth through merger and acquisition as well as reform. The Group has completed the acquisition of an internet software development company, with the aim to expand the Group's business into internet software development while complementing and promoting the Company's existing business, supporting the Group's development and proactive exploration of business channels and mode of marketing and strengthening the Group's digitalization of its information technologies. In the meantime, the new business offered support to the Company's development of fashionable and smart accessories and hence bringing excellent synergy. The acquisition is expected to bring to the Group a stable annual income and promising development prospect. The use of internet technology supports the Group in its restructuring and upgrade, implementing the Group's strategic goal of diversified operation and further enhancing the quality of the Company's assets.

In the past several years, e-commerce has remained its rapid growth in momentum. With enormous potential, it has been a significant engine behind the encouragement of consumption demand and the facilitation of the upgrade of traditional industries. In particular, the online retailing market has been developing by leaps and bounds. In 2015, the "11.11" Shopping Carnival on the internet has reached a turnover which is heartening to the market. We believe that following the launch of various new smart mobile payment methods onto the market, e-commerce can maintain its positive momentum of development and become a major channel for retailing goods in the coming few years, and this would bring profound influence socially and economically. The management team of the Group will enhance the facilities and input into e-commerce, gradually replacing traditional advertising with Internet marketing, further expanding the market size and business model of the Company's business.

In the coming year, the management of the Group will keep on exploring developing strategies that is suitable for the Group's operation. Our primary goal is to safeguard the interest of the Company's shareholders, under which, the Group will create and nurture new profit growth points which in time will bring the Group sustainable and stable development.

Corporate Governance and Other Information

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.

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.

Corporate Governance and Other Information

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.

In October 2016, the Group completed subscription by its controlling shareholder, Walifax Investments Limited of 2,440,000,000 shares at a subscription price of HK\$0.074 per share. Details of the subscriptions are set out in the Company's circular dated 17 August 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, 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 shares subject to options granted	Percentage of the issued share capital as at 30 September 2016
Tse Hoi Chau	The Company	Corporate interest	3,525,267,988 (Note 1)	–	137.18% (Note 1)
		Beneficial interest	14,824,000	26,671,400 (Note 2)	1.61%
Lin Shao Hua	The Company	Beneficial interest	–	26,671,400 (Note 2)	1.04%

Notes:

- This represents 1,085,267,988 shares beneficially held by Walifax Investments Limited ("Walifax") as at 30 September 2016, and 2,440,000,000 shares which Walifax contracted to subscribe for under a subscription agreement dated 13 April 2016, which subscription completed on 31 October 2016. Details of the subscription of these shares are set out in the Company's circular dated 17 August 2016.
- These options were granted by the Company on 28 March 2014 and 9 July 2015 under the share option scheme (the "Share Option Scheme") adopted by the Company on 23 April 2008.

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 during the Period 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).

SHARE OPTION SCHEME

The Company 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 benefits of the Company and the shareholders of the Company as a whole. Details of shares options movements during the Period under the Scheme are as follows:

Name of category	Date of grant share options	Outstanding as at 01.04.2016	Granted during the Period	Number of share options			Outstanding at 30.09.2016	Validity period of share options	Exercise price (HK\$)
				Exercised during the Period	Lapsed during the Period	Cancelled during the Period			
Directors									
(as at 30 September 2016)									
Tse Hoi Chau	28.03.2014	6,671,400	-	-	-	-	6,671,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	20,000,000	-	-	-	-	20,000,000	09.07.2015-08.07.2020	0.1470
Lin Shao Hua	28.03.2014	6,671,400	-	-	-	-	6,671,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	20,000,000	-	-	-	-	20,000,000	09.07.2015-09.07.2020	0.1470
Employees									
In aggregates	28.03.2014	6,671,400	-	-	-	-	6,671,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	1,600,000	-	-	-	-	1,600,000	09.07.2015-08.07.2020	0.1470
	27.11.2015	32,000,000	-	-	-	-	32,000,000	27.11.2015-26.11.2020	0.1488
Other participants									
In aggregate	28.03.2014	40,028,400	-	-	-	-	40,028,400	28.03.2014-27.03.2019	0.4709
	09.07.2015	20,200,000	-	-	-	-	20,200,000	09.07.2015-08.07.2020	0.1470
	27.11.2015	224,200,000	-	-	-	-	224,200,000	27.11.2015-26.11.2020	0.1488

Note 1: The closing price for the share on 28 March 2014, 9 July 2015 and 27 November 2015, being the date immediately before the share options granted, were HK\$0.2440, HK\$0.1360 and HK\$0.1470, respectively.

Note 2: For the share options granted on 28 March 2014, the share options may be exercisable immediately after the date of the grant; for the share options granted on 9 July 2015, 50% of share options may be exercisable immediately after the date of the grant while the remaining 50% of the share options may be exercisable immediately after the 8 July 2015.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, 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

Name of shareholders	Capacity	Nature of issued ordinary shares/ underlying shares held	Percentage of the issued share capital as at 30 September 2015
Walifax Investments Limited		Beneficial interest (Note 1)	42.23%
		Other (Note 1)	94.95%

Note 1: Walifax Investments Limited is wholly and beneficially owned by Mr. Tse Hoi Chau. This represents 1,085,267,988 shares beneficially held by Walifax Investments Limited ("Walifax") as at 30 September 2016, and 2,440,000,000 shares which Walifax contracted to subscribe for under a subscription agreement dated 13 April 2016, which subscription completed on 31 October 2016. Details of the subscription of these shares are set out in the Company's circular dated 17 August 2016.

Save as disclosed above, as at 30 September 2016, 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.

By order of the Board

Artini China Co. Ltd.

Tse Hoi Chau

Executive Director

Hong Kong, 24 November 2016

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September 2016 | (Expressed in Hong Kong dollars)

	Notes	For the six months ended 30 September (unaudited)	
		2016 HK\$'000	2015 HK\$'000
Turnover	4	29,059	10,538
Cost of sales		(28,020)	(9,800)
Gross profit		1,039	738
Other revenue	5	3	27
Other net gains (losses)	6	6,602	(6,270)
Selling and distribution costs		(163)	(30,143)
Administrative expenses		(5,912)	(10,373)
Profit/(Loss) from operations		1,569	(46,021)
Finance costs	7	(18)	–
Profit/(Loss) before taxation	7	1,551	(46,021)
Income tax	8	–	–
Profit/(Loss) for the period		1,551	(46,021)
Profit/(Loss) per share (HK\$)			
Basic and diluted	10	0.001	(0.019)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016 | (Expressed in Hong Kong dollars)

**For the six months ended
30 September
(unaudited)**

	2016 HK\$'000	2015 HK\$'000
Profit/(Loss) for the period	1,551	(46,021)
Other comprehensive income:		
Exchange differences on consolidation	846	1,178
Total comprehensive profit/(loss) for the period, net of tax	2,397	(44,843)

Condensed Consolidated Statement of Financial Position

As at 30 September 2016 | (Expressed in Hong Kong dollars)

	<i>Notes</i>	As at 30 September 2016 (unaudited) HK\$'000	As at 31 March 2016 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		702	885
Deferred tax assets		54,253	55,042
		54,955	55,927
Current assets			
Inventories		428	428
Trade and other receivables	11	26,974	39,503
Cash and cash equivalents		7,120	10,858
		34,522	50,789
Current liabilities			
Trade and other payables	12	29,187	48,745
Current tax payable		101	101
Obligations under finance lease – current portion		113	160
		29,401	49,006
Net current assets		5,121	1,783
Total assets less current liabilities		60,076	57,710
Non-current liabilities			
Obligations under finance lease – non-current portion		360	391
NET ASSETS		59,716	57,319
CAPITAL AND RESERVES			
Share capital	13	25,698	25,698
Reserves		34,018	31,621
TOTAL EQUITY		59,716	57,319

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016 | (Expressed in Hong Kong dollars)

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000	Share- based capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2015	24,746	714,462	(19,518)	17,379	8,641	13,572	(629,173)	130,109
Changes in equity for the six months ended 30 September 2015:								
Total comprehensive loss for the period								
Loss for the Period	-	-	-	-	-	603	(46,021)	(45,418)
Other comprehensive profit	-	-	-	1,178	-	-	-	1,178
Total transaction with the owner								
Issue of new shares	952	9,044	-	-	-	-	-	9,996
Transaction cost attribute to issue of new shares	-	(440)	-	-	-	-	(440)	-
Balance at 30 September 2015	25,698	723,066	(19,518)	18,557	8,641	14,175	(674,754)	95,865
Balance at 1 April 2016	25,698	723,066	(19,518)	18,498	8,641	30,137	(729,303)	57,319
Changes in equity for the six months ended 30 September 2016:								
Total comprehensive profit for the period								
Profit for the Period	-	-	-	-	-	-	1,551	1,551
Other comprehensive profit	-	-	-	846	-	-	-	846
Balance at 30 September 2016	25,698	723,066	(19,518)	19,344	8,641	30,137	(727,652)	59,716

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016 | (Expressed in Hong Kong dollars)

	For the six months ended 30 September (unaudited)	
	2016 HK\$'000	2015 HK\$'000
Net cash used in operations	1,551	(68,687)
Tax paid	–	–
Net cash used in operating activities	(6,837)	(68,687)
Net cash generated from investing activities	791	5,713
Net cash (used in) generated from financing activities	(97)	9,996
Net decrease in cash and cash equivalents	(4,592)	(52,978)
Cash and cash equivalents at 1 April	10,858	122,822
Effect of foreign exchange rate changes	854	(1,807)
Cash and cash equivalents at 30 September	7,120	68,037
Analysis of Pledged bank deposits and cash and cash equivalents:		
Cash and cash equivalents	7,120	68,037

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, retailing and distribution of fashion accessories.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 April 2016.

Standards/Interpretations	Subject of amendment
Amendment to HKAS1	Disclosure initiative
Amendment to HKAS16 and HKAS38	Clarification of acceptable method of depreciation and amortisation
Annual improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and amended standards and interpretations did not have a material impact on the Interim Financial Information.

Notes to the Unaudited Interim Financial Statements

4 SEGMENT REPORTING

The Group's Operating Segments, based on information reported to Board of directors of the Company, the Group's reportable and operating segments are as follows:

Retailing and Distribution:

Sale of own brand fashion accessories

CDM Sales:

Sale of products at the customer's chosen level of participation in the design process, concurrently works with its customer in designing the products and coordinating the manufacturers according to the customer's desired final design

The segment results for the six months ended 30 September 2016 and 2015 are presented below:

	Six months ended 30 September 2016 – unaudited					
	Retailing and distribution			CDM sales HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
	Mainland China HK\$'000	Hong Kong HK\$'000	Sub-total HK\$'000			
Revenue from external customers	95	–	95	28,964	–	29,059
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	95	–	95	28,964	–	29,059
Reportable segment profit/(loss)	(681)	–	(681)	8,937	–	8,256
Unallocated expenses						(6,705)
Profit for the period						1,551

Notes to the Unaudited Interim Financial Statements

4 SEGMENT REPORTING *(continued)*

	Six months ended 30 September 2015 – unaudited					
	Retailing and distribution			CDM sales HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
	Mainland China HK\$'000	Hong Kong HK\$'000	Sub-total HK\$'000			
Revenue from external customers	580	–	580	9,958	–	10,538
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	580	–	580	9,958	–	10,538
Reportable segment loss	(34,961)	–	(34,961)	(713)	–	(35,674)
Unallocated expenses						(10,347)
Loss for the period						(46,021)

5 OTHER REVENUE

**For the six months ended
30 September
(unaudited)**

	2016 HK\$'000	2015 HK\$'000
Interest income	3	10
Others	–	17
	3	27

Notes to the Unaudited Interim Financial Statements

6 OTHER NET GAINS (LOSSES)

	For the six months ended 30 September (unaudited)	
	2016 HK\$'000	2015 HK\$'000
Net exchange losses	(1,788)	(3,463)
Net losses on disposal of investment properties	–	(3,077)
Reversal of impairment losses on inventory recognised	8,390	–
Reversal of impairment losses on other receivables recognised	–	270
	6,602	(6,270)

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	For the six months ended 30 September (unaudited)	
	2016 HK\$'000	2015 HK\$'000
(a) Finance costs:		
Interest on obligations under finance lease	18	–
	18	–
(b) Other items:		
Depreciation		
– other assets	176	612
– Investment properties	–	121
Operating lease charges in respect of properties:		
– minimum lease payments	–	824
Share-based payment to the Consultants	–	186
Cost of inventories recognised as an expense	28,020	9,800

Notes to the Unaudited Interim Financial Statements

8 INCOME TAX

For the six months ended
30 September
(unaudited)

	2016 HK\$'000	2015 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 2016 as there was no assessable profits in Hong Kong for the Period.
- (iii) Artini Macao Commercial Offshore Limited, a wholly-owned subsidiary of the Company, 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, a wholly-owned subsidiary of the Company, 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%).
- (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 2016 (for the six months ended 30 September 2015: Nil).

Notes to the Unaudited Interim Financial Statements

10 EARNING/(LOSS) PER SHARE

The calculation of the basic and diluted earning/(loss) per share is as follows:

Basic earning/(loss) per share

	For the six months ended 30 September (unaudited)	
	2016	2015
Earning/(loss) attributable to owners of the Company (HK\$'000)	1,551	(46,021)
Weighted average number of ordinary shares At 1 April and at 30 September (number of shares)	2,569,840,644	2,485,045,016
Basic earning/(loss) per share (HK\$)	0.001	(0.019)

Diluted loss per share for six-month period ended 30 September 2016 and 30 September 2015 is not presented because the exercise of outstanding share options during the period have anti-dilutive effect on the basic earning/(loss) per share.

11 TRADE AND OTHER RECEIVABLES

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

	As at 30 September 2016 (unaudited) HK\$'000	As at 31 March 2016 (audited) HK\$'000
Trade debtors		
Current	20,714	35,278
Less than 3 months past due	3,134	–
3 to 6 months past due	–	–
Over 6 months past due	–	–
Total trade debtors, net of impairment losses	23,848	35,278
Rental deposits	140	250
Advance to staff	–	10
Receivables from disposals of subsidiaries	–	1,400
Prepayment and other receivables	2,986	2,565
	26,974	39,503

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.

Notes to the Unaudited Interim Financial Statements

12 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis based on invoice date:

	As at 30 September 2016 (unaudited) HK\$'000	As at 31 March 2016 (audited) HK\$'000
Trade creditors		
By date of invoice:		
Within 3 months	17,020	35,156
More than 3 months but within 6 months	–	–
More than 6 months but within 1 year	–	–
Over 1 year	2,625	2,664
Trade creditors	19,645	37,820
Receipts in advance	3,723	4,176
VAT and other tax payables	11	11
Accrued wages and staff costs	12	12
Accrued charges and other payables	5,796	6,726
	29,187	48,745

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

13 SHARE CAPITAL

	Unaudited As at 30 September 2016		Audited As at 31 March 2016	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000	30,000,000,000	300,000
Issued and fully paid:				
At the beginning and the end of the period	2,569,840,644	25,698	2,569,840,644	25,698

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.

As explained in Note 14, 2,440,000,000 subscription shares of the Company have been duly allotted and issued to the Subscriber (as defined and explained in Note 14 below).

Notes to the Unaudited Interim Financial Statements

14 EVENT AFTER REPORTING PERIOD

Acquisition of the entire equity interests of Primeview Technology Limited

Pursuant to the Company's announcement dated 13 April 2016, Artini Sales Company Limited ("ACL"), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Stand Charm Limited ("Stand Charm") and Dragon Max Enterprises Limited ("Dragon Max") (collective referred to as the "Vendors") in relation to the acquisition of the entire equity interest in Primeview Technology Limited (the "Target Company", a company incorporated in Hong Kong with limited liability and is 94% owned by Stand Charm and 6% owned by Dragon Max, respectively) for an aggregate consideration of HK\$160,000,000 (the "Acquisition"), of which will be satisfied in cash from the net proceeds of the subscription by issuing a total of 2,440,000,000 new shares of the Company (the "Subscription Shares(s)") at the subscription price of HK\$0.074 per Subscription Share to Walifax Investments Limited (the "Subscriber", a company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Tse Hoi Chau, an executive Director, the chairman and chief executive officer of the Company) (the "Subscription"). The principal business of the Target Company is engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services.

Pursuant to the Company's announcement dated 31 October 2016, the completion of the Acquisition and the Subscription took place in accordance with the terms and conditions of respective agreements for the Acquisition and Subscription. At completion of the Acquisition, the Company paid the aggregate consideration of HK\$130 million to the Vendors, being two out of three installments payable to the Vendors in accordance with the terms of the agreement for the Acquisition. Further, pursuant to the completion of the Subscription, 2,440,000,000 Subscription Shares have been duly allotted and issued to the Subscriber at completion at the subscription price of HK\$0.074 per each Subscription Share.

Further details of the above transactions are set out in the Company's announcements dated 13 April 2016, 4 May 2016, 25 May 2016, 15 June 2016, 30 June 2016, 11 August 2016, 7 September 2016, 29 September 2016 and 31 October 2016 and the Company's circular dated 17 August 2016.

15 MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, in the opinion of the Directors, the Group did not enter any material related party transaction during the reporting period.

16 APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements of 2016 were approved by the board of directors on 24 November 2016.

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