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**ARTINI**  
**ARTINI CHINA CO. LTD.**  
**雅天妮中國有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 789)**

**ISSUE OF AND SUBSCRIPTION FOR CONVERTIBLE BONDS**

**Subscriber**



On 15 January 2010 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has agreed to subscribe for the Convertible Bonds in the principal amount of HK\$20,000,000. The Convertible Bonds and the Company's obligations under the Subscription Agreement are guaranteed by the Guarantor.

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price (subject to adjustment). Assuming the Conversion Rights attaching to the Convertible Bonds are exercised in full, subject to the Share Issuance Cap: (i) based on the Minimum Conversion Price of HK\$1.073, a maximum number of 18,639,328 new Shares will fall to be issued to the Bondholders, representing approximately 1.71% of the issued capital of the Company as at the date of this announcement and approximately 1.68% of the issued share capital of the Company as enlarged by the Conversion Shares; (ii) based on the Conversion Price as at the date of the Subscription Agreement of HK\$1.18, a maximum number of 16,949,152 new Shares will fall to be issued to the Bondholders, representing approximately 1.56% of the issued capital of the Company as at the date of this announcement and approximately 1.53% of the issued share capital of the Company as enlarged by those Conversion Shares.

The net proceeds from the issue of the Convertible Bonds is estimated to be approximately HK\$18,500,000. The Company intends to use the net proceeds as the general working capital of the Group.

The Company was authorised to issue and allot 199,467,600 Shares under the General Mandate granted by the Shareholders on 21 September 2009. On 28 December 2009, the Company issued 70,000,000 new Shares to not less than six placees at the price of HK\$0.78 per Share under the General Mandate. The remaining 129,467,600 Shares are available for use as Conversion Shares and no further approval of the Shareholders will be required.

*Completion of the issue of the Convertible Bonds is subject to the satisfaction of the conditions precedent in the Subscription Agreement (including the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares). As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.*

## **Introduction**

The Board is pleased to announce that on 15 January 2010 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$20,000,000.

## **SUBSCRIPTION AGREEMENT**

### **Date**

15 January 2010

### **The company**

Artini China Co. Ltd.

### **Subscriber**

Standard Bank Plc

The Subscriber has agreed to subscribe for the Convertible Bonds in the principal amount of HK\$20,000,000.

The Subscriber is an institutional/professional investor. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are independent of and not connected with the Company or any of its directors, chief executive, substantial shareholders or subsidiaries or any of their respective associates prior to and immediately after completion of the issue of the Convertible Bonds.

The Subscriber will receive a fee of 2.5% on the principal amount of the Convertible Bonds. Such commission was arrived at after arm's length negotiations between the Company and the Subscriber under normal commercial terms and with reference to the prevailing market.

Immediately upon the exercise of the Conversion Rights the Subscriber will not become a substantial shareholder of the Company.

### **Conditions**

The issue of the Convertible Bonds is conditional upon the fulfillment of certain conditions precedent including, but not limited to, the following:

- a. the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, the Conversion Shares; and
- b. the Bermuda Monetary Authority having granted permission for the issue of the Convertible Bonds and the Conversion Shares (or the Company having received written advice from its Bermuda counsel that such permission is unnecessary).

If any of those conditions precedent is not fulfilled on or before the date which is one month after the date of the Subscription Agreement (or such later date as may be agreed between the Subscriber and the Company in writing), all obligations of the Company and the Subscriber under the Subscription Agreement shall cease and determine and none of the parties shall have any claim against the other in relation thereto other than antecedent breach.

### **Completion**

Subject to satisfaction of the conditions precedent for the issue of the Convertible Bonds, completion of the issue of the Convertible Bonds is expected to take place on 22 January 2010 (or such later date as may be agreed in writing between the Company and the Subscriber).

### **Termination**

The Subscription Agreement contains provisions entitling the Subscriber to terminate the Subscription Agreement.

If the Subscription Agreement is terminated, the obligations of all parties under the Subscription Agreement shall terminate forthwith, subject to the terms of the Subscription Agreement, and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach of any obligation of the Subscription Agreement.

**As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

<b>Principal amount</b>	HK\$20,000,000
<b>Guarantee</b>	Personal guarantee from the Guarantor
<b>Issue price</b>	100% of the principal amount of the Convertible Bonds
<b>Interest rate</b>	The Convertible Bonds shall not bear any interest
<b>Maturity date</b>	Unless previously redeemed, cancelled or converted, any outstanding Convertible Bonds shall be redeemed on the date falling on the first anniversary of the date of issue of the Convertible Bonds
<b>Conversion Period</b>	The Conversion Rights can be exercised at any time during the period commencing from the date of issue of the Convertible Bonds up to the close of business on the second Business Day prior to the Maturity Date, both dates inclusive
<b>Conversion Price</b>	means the price per Share at which Shares will be issued upon exercise of the Conversion Rights, which price shall be reset each day and, in respect of each day, be an amount equal to the higher of: (a) 90% of the closing price of the Shares, as quoted on the Stock Exchange, on the immediately preceding Traded Day; and (b) the Minimum Conversion Price
<b>Conversion Shares</b>	<p>Based on the Minimum Conversion Price of HK\$1.073, a maximum number of 18,639,328 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full, which represent approximately 1.71% of the existing issued share capital of the Company and approximately 1.68% of the issued share capital of the Company as enlarged by the issue of those Conversion Shares</p> <p>Based on the Conversion Price as at the date of the Subscription Agreement of HK\$1.18, a maximum number of 16,949,152 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full, which represent approximately 1.56% of the existing issued share capital of the Company and approximately 1.53% of the issued share capital of the Company as enlarged by the issue of those Conversion Shares</p> <p>The Conversion Shares shall rank <i>pari passu</i> in all respects with the Shares in issue on the date of allotment and issue of such Conversion Shares</p>

## **Status and transferability**

The Convertible Bonds constitute general and unsecured obligations of the Company and shall rank equally among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law

The Convertible Bonds are freely transferable to any affiliate of the Bondholder that is not a connected person under the Listing Rules but not to any other person (unless the prior written consent of the Company has been obtained)

Any transfer of Convertible Bonds shall be in respect of the whole or any part of the Convertible Bonds in integral multiples of HK\$1,000

## **Share Issuance Cap**

129,467,600 Shares (equal to the remaining amount of the General Mandate)

## **Early Redemption**

Upon the occurrence of events specified in the Conditions, Bondholders have the right to require the Company to redeem all or part of their Convertible Bonds at 112% of their principal amount. These events include (among others):

- the exhaustion of the Share Issuance Cap;
- a change of control of the Company;
- suspension of trading for more than five trading days in any 30 calendar day period or revocation or withdrawal of listing of the Shares on the Stock Exchange; and
- the Conversion Price (as defined under paragraph (a) of its definition) falling below the Minimum Conversion Price

## **Optional Redemption**

The Company may (on giving not less than five Business Days' notice to the Bondholders, the "**Optional Redemption Notice**") redeem all (but not some only) of the Convertible Bonds then outstanding at 112% of their principal amount on the date specified in the Optional Redemption Notice

Any Optional Redemption Notice will be irrevocable, unless the relevant Bondholders exercise the Conversion Rights within four Business Days of the Optional Redemption Notice (in which case the Optional Redemption Notice shall be deemed to be revoked in respect of those Convertible Bonds for which Conversion Rights have been exercised)

**Redemption at maturity** The Company shall on the Maturity Date redeem in Hong Kong dollars all the Convertible Bonds then outstanding at 112% of their principal amount. Except as provided for in the Conditions, the Convertible Bonds shall not be redeemed or repaid prior to the Maturity Date

**Issue of replacement Bonds** In the event the Conversion Price (as defined in paragraph (a) of its definition) falls below the Minimum Conversion Price and a Bondholder exercises its right to redeem its outstanding Convertible Bonds, the Company may issue replacement bonds in respect of those Convertible Bonds to be redeemed if it has sufficient remaining General Mandate or a specific mandate to issue those bonds at that time

The replacement bonds shall be subject to the same Conditions as the original Convertible Bonds except that the Minimum Conversion Price shall be recalculated by reference to the then applicable last closing prices of Shares on the date of issue of the replacement bonds

**Voting at shareholders' meeting** Bondholders shall not be entitled to receive notices for (or attend or vote at) any general meeting of the Company by reason only of being the holders of the Convertible Bonds

**Listing** No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange, or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

**Events of default** The Convertible Bonds will contain customary events of default provisions which provide that on the occurrence of certain events of default specified in the Conditions, each of the Bondholders shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Bonds

### **The Conversion Price**

The Conversion Price was determined with reference to the prevailing market price of the Shares and the Listing Rules and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the terms of the Conversion Price are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

## EFFECT OF ISSUE ON SHAREHOLDING

The following table illustrates the change in shareholding structure of the Company upon full exercise of the Conversion Rights.

Shareholders	As at 15 January 2010*		Upon full exercise of the Conversion Rights at the Conversion Price as at the date of the Subscription Agreement		Upon full exercise of the Conversion Rights at the Minimum Conversion Price	
	Number of Shares	Approx %	Number of Shares	Approx %	Number of Shares	Approx %
Fully Gain Company Ltd. <sup>1</sup>	648,088,000	59.53	648,088,000	58.62	648,088,000	58.53
Excellent Gain International Holdings Limited <sup>2</sup>	72,000,000	6.61	72,000,000	6.51	72,000,000	6.50
Public:						
Subscriber after the issue of the Convertible Bonds <sup>3</sup>	–	–	16,949,152	1.53	18,639,328	1.68
Other public Shareholders	<u>368,550,000</u>	<u>33.86</u>	<u>368,550,000</u>	<u>33.34</u>	<u>368,550,000</u>	<u>33.29</u>
Total	<u>1,088,638,000</u>	<u>100.00</u>	<u>1,105,587,152</u>	<u>100.00</u>	<u>1,107,277,328</u>	<u>100.00</u>

### Notes:

\* Date of the Subscription Agreement

<sup>1</sup> Fully Gain Company Ltd. is wholly-owned by Mr. Tse Chiu Kwan, Chairman of the Board and an executive Director

<sup>2</sup> Excellent Gain International Holdings Limited is wholly-owned by Ms. Yip Ying Kam, the Vice-Chairman of the Board and a non-executive Director

<sup>3</sup> The Subscriber will not become a substantial Shareholder (within the meaning of the Listing Rules) upon completion of the issue of the Convertible Bonds

## FUND RAISING ACTIVITIES ON THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities for the 12 months immediately before the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds up to the date of this announcement</b>
28 December 2009	Placing of new Shares under General Mandate	HK\$52,400,000	To further develop the Group's retail business	Approximately HK\$5,000,000 has been utilized as intended and the remaining will be used as intended

## REASONS FOR AND BENEFITS OF THE ISSUE

The Group is principally engaged in the design, manufacturing, retailing and distribution and concurrent design manufacturing of fashion accessories.

The gross proceeds from the issue of the Convertible Bonds will be approximately HK\$20,000,000. Based on the estimated expenses of approximately HK\$1,500,000 for the issue of the Convertible Bonds, the net proceeds from the issue is expected to be HK\$18,500,000. The Group intends to use the net proceeds as the general working capital of the Group.

The Directors consider that the issue of the Convertible Bonds represents an opportunity to raise capital for the Company while broadening its shareholder and capital base. Accordingly, the Directors consider that the issue of the Convertible Bonds is in the interest of the Company and the Shareholders as a whole.

Depending on the prevailing market conditions at the relevant time, the Company and the Subscriber may enter into agreements for further issues of similar Convertible Bonds from time to time. The Company will comply with the Listing Rules to make all necessary announcement(s), where appropriate, if and when any such further issues do proceed.

## GENERAL

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Further announcements will be made by the Company upon completion of the Subscription Agreement.

## DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the Listing Rules, unless otherwise specified
“Board”	means the board of Directors
“Bondholder(s)”	means the holder(s) of the Convertible Bonds
“Business Day”	means a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“Bye-Laws”	means the bye-laws of the Company, as amended from time to time
“Company”	means Artini China Co. Ltd., a company incorporated in Bermuda with limited liability
“Conditions”	means the terms and conditions of the Convertible Bonds as set out in the Instrument
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules, unless otherwise specified
“Conversion Price”	means the price per Share at which Shares will be issued upon each exercise of the Conversion Rights, which price shall be reset each day and, in respect of each day, be an amount equal to the higher of: (a) 90% of the closing price of the Shares, as quoted on the Stock Exchange, on the immediately preceding Traded Day; and (b) the Minimum Conversion Price, subject to adjustment in the event of any sub-division or consolidation of Shares by the Company
“Conversion Rights”	means the rights of the Bondholders to subscribe for fully-paid Shares pursuant to the Convertible Bonds as set out in the Conditions
“Conversion Shares”	means the Shares to be allotted and issued upon any exercise of the Conversion Rights
“Convertible Bonds”	means the zero coupon unsecured convertible bonds due 2011 in the principal amount of HK\$20,000,000 convertible into Shares

“Directors”	means the directors of the Company
“General Mandate”	means the general mandate granted by the Shareholders at the annual general meeting held on 21 September 2009 authorising the Directors to allot, issue or otherwise deal with up to 199,467,600 Shares (representing 20% of the issued share capital of the Company as at that date) and to make or grant offers, agreements and options which might require the exercise of such powers (which general mandate has only been used to the extent of issuing 70,000,000 Shares since it was granted)
“Group”	means the Company and its subsidiaries
“Guarantee”	means the guarantee provided by the Guarantor in favour of the Subscriber (for itself and on behalf of the Bondholders) guaranteeing the obligations of the Company under the Subscription Agreement and the Instrument
“Guarantor”	means Mr. Tse Chiu Kwan, Chairman of the Board
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	means the instrument in relation to the issue of the Convertible Bonds
“Issue Date”	means the day on which the Convertible Bonds are issued under the Instrument
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	means the date falling on the first anniversary of the Issue Date
“Minimum Conversion Price”	means an amount equal to 80% of the benchmarked price (rounded up to the nearest whole 1/10th of a cent), where “ <b>benchmark price</b> ” means the closing price of the Shares on the Stock Exchange on the date of the Subscription Agreement (being HK\$1.34)
“Shareholder(s)”	means the holder(s) of Shares
“Shares”	means the ordinary shares of HK\$0.10 each in the share capital of the Company

“Share Issuance Cap”	means the 129,467,600 Shares (equal to the remaining amount of the General Mandate)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscriber”	means Standard Bank Plc
“Subscription Agreement”	means the conditional Subscription Agreement entered into between the Company and the Subscriber dated 15 January 2010 in relation to the issue of the Convertible Bonds
“Traded Day”	means a day on which dealings in the Shares on the Stock Exchange took place
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 15 January 2010

*As at the date of this announcement, the Board comprises Mr. Tse Chiu Kwan, Ms. Ho Pui Yin, Jenny and Mr. Lin Shao Hua as executive Directors, Ms. Yip Ying Kam as non-executive Director and Ms. Chan Man Tuen, Irene, Mr. Lau Fai Lawrence and Mr. Fan William Chung Yue as independent non-executive Directors.*