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If you have sold or transferred all your shares in Artini China Co. Ltd., you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED
SHARE CAPITAL OF TCK COMPANY LIMITED**

Financial adviser to the Company



**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this circular. A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from Proton Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 29 of this circular.

Notice of the SGM to be held at Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Monday, 17 November 2014 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

30 October 2014

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day that is not a Saturday, Sunday, public holiday or bank holiday in Hong Kong or a day on which a tropical cyclone warning no 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 am and 5:00 pm
“BVI”	the British Virgin Islands
“Company”	Artini China Co. Ltd., a company incorporated in Bermuda, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal Agreement in accordance with its terms and conditions
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal by the Vendor of the Sale Shares to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 9 October 2014 entered into between the Vendor and the Purchaser in relation to the disposal of the entire issued share capital of TCK
“Disposal Group”	TCK and the WFOE
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	an independent board committee comprising all the independent non-executive Directors, namely, Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Zeng Zhaohui formed to advise the Independent Shareholders on the Disposal and the transactions contemplated under the Disposal Agreement
“Independent Shareholders”	Shareholders other than Mr. Tse, the Purchaser and any of their associates
“Latest Practicable Date”	28 October 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tse”	Mr. Tse Hoi Chau, the Chairman, an executive Director and a controlling shareholder
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purposes of this circular
“Property”	four parcels of land with a total site area of approximately 27,892 square meters, 15 buildings mainly including industrial buildings, warehouses and dormitories with a total gross floor area of approximately 38,676 square meters and various structures located at Yuanshanling Industrial Area, Ketang Town, Haifeng County, Shanwei City, Guangdong Province, the PRC
“Proton Capital”	Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal
“Purchaser”	Celestial Elite Investments Limited, a company incorporated in Samoa with limited liability and is wholly owned by Mr. Tse
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale Shares”	the 100 ordinary shares of US\$1.00 each of the issued share capital of TCK, representing the entire issued share capital of TCK
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened for, among others, considering, and if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCK”	TCK Company Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary proposed to be disposed of by the Vendor to the Purchaser under the Disposal Agreement
“Underwriting Agreement”	the underwriting agreement dated 19 September 2014 entered into among the Company, Mr. Tse, Walifax Investments and Guotai Junan Securities (Hong Kong) Limited as the underwriter (with the underwriting commission of approximately HK\$1.03 million, being 1.0% of the aggregate subscription price assuming 1,030,911,492 offer shares are being underwritten) in relation to the underwriting arrangement of the proposed issue of offer shares by the Company on the basis of three (3) offer shares for every one (1) new share at the subscription price of HK\$0.10 per offer share, details of which are set out in the circular of the Company dated 24 October 2014
“US\$”	The United States dollars, the lawful currency of the United States of America
“Valuer”	Avista Valuation Advisory Limited, an independent professional property valuer
“Vendor”	Artist Star International Development Limited, a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company

DEFINITIONS

“Walifax Investments”	Walifax Investments Limited, a company incorporated in BVI with limited liability and wholly owned by Mr. Tse
“WFOE”	超群(海豐)首飾廠有限公司 (Artist Empire (Hai Feng) Jewellery Mfy. Limited), a wholly foreign-owned enterprise established in the PRC with limited liability and is a wholly-owned subsidiary of TCK
“%”	per cent.

For the purpose of this circular, unless otherwise stated, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1 = HK\$1.26.

ARTINI
ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

Executive Directors:

Mr. Tse Hoi Chau

(Chairman and Chief Executive)

Mr. Lin Shao Hua

Independent Non-executive Directors:

Mr. Lau Fai Lawrence

Mr. Lau Yiu Kit

Mr. Zeng Zhaohui

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

Flat B1, 1st Floor

Kaiser Estate, Phase 1

41 Man Yue Street

Hunghom

Kowloon

Hong Kong

30 October 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED
SHARE CAPITAL OF TCK COMPANY LIMITED**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 October 2014 in relation to the Disposal. It was announced that the Vendor (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being the entire issued share capital of TCK, at a cash consideration of HK\$16,257,000.

LETTER FROM THE BOARD

As one of the applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as the Purchaser is wholly owned by Mr. Tse, who is the Chairman, an executive Director and a controlling shareholder, the Purchaser is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Tse has a material interest in the Disposal, Mr. Tse abstained from voting on the board resolutions approving the Disposal Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Mr. Tse had a personal interest in 7,412,000 Shares, representing approximately 0.60% of the existing issued share capital of the Company and Walifax Investments, a company wholly owned by Mr. Tse, was interested in 542,633,994 Shares, representing approximately 43.86% of the existing issued share capital of the Company. Mr. Tse, Walifax Investments and their respective associates will abstain from voting on the resolution to be proposed at the SGM for approving the Disposal and the transactions contemplated thereunder.

The purpose of this circular is to provide with, among other things, (i) further information on the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the Disposal; (iii) a letter of advice from Proton Capital to the Independent Board Committee and the Independent Shareholders regarding the Disposal; and (iv) a notice of the SGM.

THE DISPOSAL AGREEMENT

Date: 9 October 2014

Parties:

Vendor: Artist Star International Development Limited, a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company

Purchaser: Celestial Elite Investments Limited, an investment holding company incorporated in Samoa with limited liability and is wholly owned by Mr. Tse

Assets to be disposed of

Sale Shares: 100 ordinary shares of US\$1.00 each in the issued share capital of TCK, being the entire issued share capital of TCK, free from encumbrances and together with all rights now or thereafter attached thereto

LETTER FROM THE BOARD

The Consideration for the Sale Share

The consideration for the Sale Shares shall be HK\$16,257,000 and the Purchaser shall pay to the Vendor the consideration in cash on Completion. The consideration of HK\$16,257,000 was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the consolidated net liabilities (after the amounts due to the holding companies and the fellow subsidiaries of approximately HK\$160,103,000 as at 31 July 2014 were waived) of TCK of approximately HK\$7,093,000 as at 31 July 2014 and the appreciation of the Property of approximately HK\$23,350,000, which is equal to the difference between the carrying value of the Property of approximately HK\$17,801,000 as at 31 July 2014 and the appraised value of the Property of RMB32,660,000 (equivalent to approximately HK\$41,151,000) as at 31 August 2014 given by the Valuer.

Conditions precedent

Completion is conditional upon the fulfilment of, or waiver by the Purchaser (save for (a) below) the following conditions:

- (a) the Disposal Agreement having been approved by a simple majority of the Independent Shareholders voting at the SGM convened to approve, among other things, the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) the Vendor having duly performed and complied with all agreements, obligations and conditions contained in the Disposal Agreement which are required to be performed or complied with by it on or before Completion, and having obtained all approvals, consents and qualifications necessary to comply with or perform such agreements, obligations and conditions.

All the above conditions will have to be fulfilled or waived, as applicable, on or before 31 December 2014. If the conditions have not been fulfilled or waived on or before such date or by such later date as may be agreed between the Purchaser and the Vendor, then the Disposal Agreement shall thereupon become null and void ab initio and the Purchaser's obligations to purchase the Sale Shares shall lapse.

In connection with condition (b) above, the board of directors of the Vendor had approved the Disposal Agreement and the transactions contemplated thereunder as at the Latest Practicable Date. Save as aforesaid, there is no any other approval, consent and qualification required to be obtained by the Vendor to perform or comply with the agreements, obligations and conditions contained in the Disposal Agreement.

Completion

Completion shall take place on the fifth (5th) Business Day following the date on which the last of the conditions of the Disposal Agreement has been fulfilled (or otherwise waived) or such other date as the parties may agree in writing on which the Disposal Agreement shall be completed.

LETTER FROM THE BOARD

INFORMATION ON TCK AND THE WFOE

TCK is an investment holding company incorporated in BVI on 25 November 2004 with limited liability and is a wholly-owned subsidiary of the Company. TCK directly holds the entire equity interest of the WFOE.

The WFOE is a wholly foreign-owned enterprise established in the PRC on 28 March 2002 with limited liability. The operating period of the WFOE is 30 years from 28 March 2002 to 27 March 2032. The registered capital and the total investment amount of the WFOE are HK\$102,600,000 (which has been fully paid) and HK\$108,000,000 respectively.

The WFOE had been responsible for the manufacture and sale of the Group's own brand fashion accessories and the concurrent design manufacturing (CDM) of fashion accessories for customers. Since 2014, the Group has ceased the in-house manufacture of the Group's own brand fashion accessories and hence the WFOE has only been engaged in the manufacturing of fashion accessories under CDM business model. The WFOE concurrently works with its customers in designing and manufacturing the products according to the customers' specified design. The WFOE operates an ornament and jewelry factory and owns the Property comprising four parcels of land with a total site area of approximately 27,892 square meters, 15 buildings mainly including industrial buildings, warehouses and dormitories with a total gross floor area of approximately 38,676 square meters and various structures located at Yuanshanling Industrial Area, Ketang Town, Haifeng County, Shanwei City, Guangdong Province, the PRC. The land and property interests of the Property are valued by the Valuer, based on the depreciated replacement cost approach, at the amount of RMB32,660,000 (equivalent to approximately HK\$41,151,000) as at 31 August 2014. Details of the valuation report of the Property are set out in Appendix II of this circular.

Set out below is the unaudited consolidated financial information of TCK for the years ended 31 March 2014 and 2013 and for the four months ended 31 July 2014 respectively:

	For the four months ended 31 July 2014	For the year ended 31 March 2014	For the year ended 31 March 2013
	<i>Approximately HK\$'000</i>	<i>Approximately HK\$'000</i>	<i>Approximately HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	17,080	59,262	85,403
Profit/(loss) before taxation	146,260	(86,190)	(47,628)
Net profit/(loss) after taxation	146,260	(87,917)	(56,443)
Net (liabilities)	(7,093)	(152,868)	(63,805)

Based on the unaudited consolidated management account of TCK for the four months ended 31 July 2014, the total asset value of TCK as at 31 July 2014 were approximately HK\$25,025,000.

LETTER FROM THE BOARD

Revenue

Revenue for the year ended 31 March 2014 decreased by approximately HK\$26,141,000 as compared to the year ended 31 March 2013 as a result of the intense market competition from the manufacturers and the sluggish performance of the European economy. Revenue for the 4-month period ended 31 July 2014 decreased by approximately HK\$10,664,000 as compared to the corresponding period in 2013 which was mainly resulted from the increasingly intense market competition from the manufacturers in Hong Kong, the PRC and the South Asian countries.

Results

The loss before taxation for the year ended 31 March 2014 increased by approximately HK\$38,562,000 as compared to the year ended 31 March 2013 which were mainly resulted from the increase in manufacturing costs such as labour cost and other overheads in the PRC. The profit before taxation for the 4-month period ended 31 July 2014 was approximately HK\$146,260,000 as compared to the loss before taxation of approximately HK\$16,635,000 recorded in the corresponding period in 2013. The profit before taxation for the 4-month period ended 31 July 2014 was mainly resulted from the waiver of amounts due to the holding companies and fellow subsidiaries amounting to approximately HK\$160,103,000 (the "Waiver"). As a result of the Waiver, the holding companies and follow subsidiaries of TCK recorded losses of approximately HK\$160,103,000 in aggregate on 31 July 2014 which were eliminated in the Group against the gain of TCK arising from the Waiver. After excluding the Waiver, TCK recorded loss before taxation of approximately of HK\$13,843,000 which was mainly resulted from the decrease in interest expense after the repayment of bank loans in 2014 and the reduction in selling and administrative expenses as a result of the decrease in the size of operation in the ornament and jewelry factory in Haifeng County.

Net liabilities

The net liabilities increased by approximately HK\$89,063,000 as at 31 March 2014 as compared to that as at 31 March 2013 which was mainly due to the operating losses of the financial year ended 31 March 2014 and the provision for impairment of the machinery of the ornament and jewelry factory in Haifeng County and the decrease in net realizable value of the inventories. The net liabilities as at 31 July 2014 decreased by approximately HK\$145,775,000 which was mainly resulted from the Waiver.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will not hold any interest in TCK and the WFOE and TCK and the WFOE will cease to be subsidiaries of the Company, and their financial results will cease to be consolidated with the accounts of the Company.

LETTER FROM THE BOARD

Earnings

Based on the unaudited consolidated management account of TCK as at 31 July 2014, the Directors expect to recognise an unaudited gain of approximately HK\$23,350,000, being the difference between the consideration of HK\$16,257,000 and the consolidated net liabilities (after taking into account of the Waiver) of TCK as at 31 July 2014 of approximately HK\$7,093,000. On 31 July 2014, the holding companies and the fellow subsidiaries of TCK recorded losses of approximately HK\$160,103,000 in aggregate as a result of the Waiver which were eliminated in the Group against the gain of TCK arising from the Waiver. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and is to be determined based on the amount of the consolidated net liabilities of TCK at Completion.

In addition, upon Completion, the Directors expect a decrease in retained earnings of approximately HK\$160,103,000 in the accounts of the non-disposed companies of the Group and an increase in retained earnings of approximately HK\$160,103,000 in the accounts of the Disposal Group will be recorded in the consolidated accounts of the Group for the year ending 31 March 2015 as a result of the Waiver.

Assets and Liabilities

As disclosed in the annual report of the Company for the year ended 31 March 2014, the Group recorded total assets and total liabilities of approximately HK\$126,098,000 and HK\$66,695,000 as at 31 March 2014 respectively. It is estimated that upon Completion, the total assets and total liabilities would decrease by HK\$8,768,000 and HK\$32,118,000 to approximately HK\$117,330,000 and HK\$34,577,000 respectively. Since it is expected that the Group will recognize an unaudited gain of approximately HK\$23,350,000, it is estimated that the net assets of the Group would increase by approximately HK\$23,350,000 as a result of the Disposal.

REASONS OF AND BENEFITS FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in design, manufacture, retailing and distribution and concurrent design manufacturing (CDM) of fashion accessories. Upon completion of the disposal of TCK which is the whole manufacturing arm of the Group, the Group will be principally engaged in design, retailing and distribution of the Group's own brand products and CDM of fashion accessories with outsourcing the manufacturing process to independent contract manufacturers.

The business environment for the manufacture and sale of fashion accessories has been competitive in the past few years and the WFOE has recorded losses for the past three years. In this connection, the Board has been reviewing the operations of the WFOE whose performance was mainly affected by increasing production costs in the recent years and therefore has dragged down the financial performance of the Company as a whole. In view of this, the Disposal is expected to allow the Company to reallocate resources to expand the existing accessories retailing business and retailing business for other types of products with higher growth potential.

LETTER FROM THE BOARD

Based on the unaudited financial information of TCK for the year ended 31 March 2014, revenue of and net loss after taxation attributable to TCK were approximately HK\$59,262,000 and HK\$87,917,000 respectively, which in turn represent approximately 34.21% and 81.16% of the revenue and net loss after taxation of the Group for the same financial year. The decrease in turnover and the increase in net loss of TCK for the financial year ended 31 March 2014 were mainly due to the low gross profit margin of the sales of CDM fashion accessories, high labour costs and fluctuation of raw materials costs. The manufacturing arm of the Group performed unfavourably and dragged down the financial performance of the Group as a whole.

Upon Completion, in addition to the recognition of the one-off gain of approximately HK\$23,350,000, the Group is able to discontinue the substantial cash outflow position of its manufacturing arm and redeploy the financial resources on the existing accessories retailing business with better promotion campaign and more stores in better locations. The Group will continue to carry out CDM of fashion accessories after Completion while it will outsource the manufacturing process to independent contract manufacturers with more competitive price. It is expected that some of the internationally renowned brands (with very low gross profit margin) will discontinue their orders with the Group as a result of the disposal of the manufacturing plant. However, as the outsourcing manufacturing fee of fashion accessories to be incurred by the Group is expected to be lower than the production costs that would otherwise be incurred if produced in-house by the Group's own manufacturing plant, the Group can effectively better control the overall production costs and becomes more competitive in attracting more other internationally renowned brands.

It is expected that the net proceeds from the Disposal in the amount of approximately HK\$15,257,000 (after deducting all relevant fees and expenses) will be used for the general working capital of the Group. The Company intends to use the general working capital (i) as to approximately HK\$10 million for traditional offline marketing and advertising in order to facilitate the expansion of the retailing business of the Group; (ii) as to approximately HK\$3 million for professional training for salespersons to improve the service quality and royalty of the staff; and (iii) as to approximately HK\$2.3 million for other general operating expenses of the Group.

RECOMMENDATION

Having noted and considered the reasons stated under the section captioned "REASONS FOR AND BENEFITS FOR THE DISPOSAL AND USE OF PROCEEDS", and (i) the Disposal and transactions contemplated under the Disposal Agreement represent an opportunity to the Company for realising its loss-making businesses and re-directing its resources to the businesses with growth potential, and are on normal commercial terms and (ii) the consideration of HK\$16,257,000 was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the consolidated net liabilities (after taking into account of the Waiver) of TCK of approximately HK\$7,093,000 as at 31 July 2014 and the appreciation of the Property of approximately HK\$23,350,000, the Directors (including the independent non-executive Directors whose views have been set out in this circular on page 13 after taking into account of the advice of Proton Capital) considered that the terms of the Disposal Agreement, which are determined after arm's

LETTER FROM THE BOARD

length negotiations between the Company and the Purchaser, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to approve the Disposal and the transactions contemplated under the Disposal Agreement.

SGM

Notice of the SGM to be held at 11:00 a.m. on Monday, 17 November 2014 at Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the SGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

By order of the Board
Artini China Co. Ltd.
Tse Hoi Chau
Chairman

ARTINI
ARTINI CHINA CO. LTD.
雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

30 October 2014

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED
SHARE CAPITAL OF TCK COMPANY LIMITED**

We refer to the letter from the Board set out on pages 5 to 12 of the circular dated 30 October 2014 (the “Circular”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Disposal Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether or not it would be fair and reasonable and in the interests of the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder. Proton Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter of advice from Proton Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in relation to the Disposal as set out in the Circular.

Having taken into account the principal factors and reasons considered and the opinion given by Proton Capital as stated in its letter of advice as set out on pages 14 to 29 of the Circular, we consider that the terms of the Disposal Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
For and on behalf of

Independent Board Committee

Mr. Lau Fai Lawrence

Mr. Lau Yiu Kit

Mr. Zeng Zhaohui

Independent non-executive Directors

LETTER FROM PROTON CAPITAL

The following is the full text of a letter of advice from Proton Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in the Circular.



Unit 1001, 10th Floor, Chuang's Tower,
30-32 Connaught Road Central, Hong Kong

30 October 2014

To: *The Independent Board Committee and the Independent Shareholders of
Artini China Co. Ltd.*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF TCK COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 30 October 2014 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 9 October 2014 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being the entire issued share capital of TCK, at a cash consideration of HK\$16,257,000.

As disclosed in the Board Letter, as one of the applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as the Purchaser is wholly owned by Mr. Tse, who is the Chairman, an executive Director and a controlling Shareholder, the Purchaser is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM PROTON CAPITAL

As at the Latest Practicable Date, Mr. Tse had a personal interest in 7,412,000 Shares, representing approximately 0.60% of the existing issued share capital of the Company and Walifax Investments, a company wholly owned by Mr. Tse, was interested in 542,633,994 Shares, representing approximately 43.86% of the existing issued share capital of the Company. Mr. Tse, Walifax Investments and their respective associates will abstain from voting on the resolution(s) to be proposed at the SGM for approving the Disposal and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Zeng Zhaohui, has been formed to consider the Disposal Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether or not it would be fair and reasonable and in the interests of the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

The appointment of Proton Capital as the independent financial adviser in respect of the Disposal has been approved by the Independent Board Committee. Proton Capital is not connected with the directors, chief executive and substantial shareholders of the Company or the Purchaser or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Proton Capital had not acted as independent financial adviser to the Company's other transactions during the last two years.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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We have not made any independent evaluation or appraisal of the assets and liabilities of TCK or the WFOE and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the fair market value of the Property (the "Valuation Report"). The Valuation Report was prepared by Avista Valuation Advisory Limited (the "Valuer"). Since we are not experts in the valuation of land and/or Property and/or business, we have relied solely upon the Valuation Report for the market value of the Property as at 31 August 2014 (the "Valuation"). Shareholders should also note that the Valuation involves various basis and assumptions and it may be changed if those basis and assumptions are modified.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, TCK, the WFOE, the Purchaser, Mr. Tse, Walifax Investments or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Disposal

Business overview of the Group

As at the Latest Practicable Date, the Group was principally engaged in design, manufacture, retailing and distribution and concurrent design manufacturing (CDM) of fashion accessories.

TCK is the holding company of the WFOE, which were the manufacturing arm of the Company for both of the business segments of retailing and distribution and CDM sales. The WFOE had been responsible for the manufacture and sale of the Group's own brand fashion accessories and the concurrent design manufacturing (CDM) of fashion accessories for customers.

As advised by the Company, since early 2014, in view of the increasing cost of production and in order to exercise better cost control, the Group has out-sourced and ceased the in-house manufacture of the Group's own brand fashion accessories and hence the WFOE has only been engaged in the manufacturing of fashion accessories under CDM business model since early 2014.

Upon Completion, the Group will be principally engaged in design, retailing and distribution of the Group's brand products and CDM of fashion accessories with outsourcing the manufacturing process to independent contract manufacturers.

LETTER FROM PROTON CAPITAL

Set out below is the financial information of the Group for each of the two years ended 31 March 2014 as extracted from the Company's annual report for the year ended 31 March 2014 (the "2014 Annual Report"):

	For the year ended 31 March 2014 (audited) HK\$'000	For the year ended 31 March 2013 (audited) HK\$'000	Year on year change from 2013 to 2014 %
Revenue			
– Retailing and distribution	49,049	44,482	10.3
– CDM sales	124,187	146,736	(15.4)
Total	173,236	191,218	(9.4)
Gross profit	18,215	43,830	(58.5)
Segment results			
– Retailing and distribution	(26,887)	(63,417)	(57.6)
– CDM sales	(52,261)	14,930	
Loss for the year	(108,320)	(109,028)	(0.7)
Gross profit margin	10.5%	22.9%	(54.2)

For the year ended 31 March 2014, the revenue from retailing and distribution accounted for approximately 28.3% of the Group's consolidated revenue and the total revenue from the CDM business accounted for approximately 71.7% of the Group's consolidated revenue.

As depicted by the above table, the Group recorded a decrease in revenue of approximately 9.4% from approximately HK\$191.2 million for the year ended 31 March 2013 to approximately HK\$173.2 million for the year ended 31 March 2014, in which the revenue from the CDM business recorded a material decrease of 15.4% as compared to the previous year and this segment recorded a loss of approximately HK\$52.3 million (year ended 31 March 2013: profit of approximately HK\$14.9 million). As disclosed in the 2014 Annual Report, such change in revenue of the CDM business was mainly due to the intense market competition in Hong Kong and the uncertain economic prospects in Europe.

Whereas for the retailing and distribution business, as disclosed in the 2014 Annual Report, due to the Group's strategic change in its new retailing business plan, revenue for this business segment had increased by approximately 10.3% from approximately HK\$44.5 million in the year ended 31 March 2013 to approximately HK\$49.1 million in the year ended 31 March 2014 and the loss for this business segment in the year ended 31 March 2014 had materially decreased to HK\$26.9 million (year ended 31 March 2013: loss of approximately HK\$63.4 million).

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Although the consolidated loss of the Group in the year ended 31 March 2014 had been slightly decreased to approximately HK\$108.3 million (approximately HK\$109.0 million in the year ended 31 March 2013), gross profit of the Group dropped by approximately 58.5% from approximately HK\$43.8 million in 2013 to approximately HK\$18.2 million for the year ended 31 March 2014 in which its gross profit margin materially decreased from approximately 22.9% in 2013 to approximately 10.5% in 2014. According to the Directors, such a change was mainly resulted from the increase in production cost.

We further noted that on 22 October 2014, the Company issued a profit warning announcement whereby it disclosed that the Group is expected to record an increase in the losses attributable to the shareholders of the Company for the six-month ended 30 September 2014 as compared to the corresponding period in 2013. These losses are mainly attributable to (i) the decrease in the Group's revenue of approximately 40% for the six-month ended 30 September 2014 as compared to that of the corresponding period in 2013; and (ii) the continuous increase in manufacturing costs.

Based on the financial results of the Group as aforesaid, the performance of the Company was far from satisfactory. The Group had been facing the challenge of increases in manufacturing costs for both of its business segments.

Information on TCK and the WFOE

As referred to in the Board Letter, TCK is an investment holding company incorporated in BVI on 25 November 2004 with limited liability and is a wholly-owned subsidiary of the Company. TCK directly holds the entire equity interest of the WFOE.

The WFOE is a wholly foreign-owned enterprise established in the PRC on 28 March 2002 with limited liability. The operating period of the WFOE is 30 years from 28 March 2002 to 27 March 2032. The registered capital and the total investment amount of the WFOE are HK\$102,600,000 (which has been fully paid) and HK\$108,000,000 respectively.

The WFOE had been responsible for the manufacture and sale of the Group's own brand fashion accessories and the concurrent design manufacturing (CDM) of fashion accessories for customers. Since early 2014, the Group has ceased the in-house manufacture of the Group's own brand fashion accessories and hence the WFOE has only been engaged in the manufacturing of fashion accessories under CDM business model. The WFOE concurrently works with its customers in designing and manufacturing the products according to the customers' specified design. The WFOE operates an ornament and jewelry factory and owns the Property comprising four parcels of land with a total site area of approximately 27,892 square meters, 15 buildings mainly including industrial buildings, warehouses and dormitories

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with a total gross floor area of approximately 38,676 square meters and various structures located at Yuanshanling Industrial Area, Ketang Town, Haifeng County, Shanwei City, Guangdong Province, the PRC. The land and property interests of the Property are valued by the Valuer, based on the depreciated replacement cost approach, at the amount of RMB32,660,000 (equivalent to approximately HK\$41,151,000) as at 31 August 2014.

Set out below is the unaudited consolidated financial information of TCK for the years ended 31 March 2013 and 2014 respectively as well as for the four months ended 31 July 2014:

	For the four months ended 31 July 2014 <i>Approximately</i> <i>HK\$'000</i> (Unaudited)	For the year ended 31 March 2014 <i>Approximately</i> <i>HK\$'000</i> (Unaudited)	For the year ended 31 March 2013 <i>Approximately</i> <i>HK\$'000</i> (Unaudited)
Revenue	17,080	59,262	85,403
Profit/(Loss) before taxation	146,260	(86,190)	(47,628)
Net profit/(Loss) after taxation	146,260	(87,917)	(56,443)
Net (liabilities)	(7,093)	(152,868)	(63,805)

Based on the unaudited consolidated management account of TCK for the four months ended 31 July 2014, the total asset value and net liabilities of TCK as at 31 July 2014 were approximately HK\$25,025,000 and HK\$7,093,000 respectively.

As depicted by the above table, revenue of TCK decreased by approximately 30.6% from HK\$85.4 million in the year ended 31 March 2013 to HK\$59.3 million in the year ended 31 March 2014. According to the Directors, such change was as a result of the intense market competition from the manufacturers and the sluggish performance of the European economy.

Its net loss after taxation increased by approximately 55.8% to HK\$87.9 million in the year ended 31 March 2014 mainly resulted from the increase in manufacturing costs such as labour cost and other overheads in the PRC. The net liabilities of TCK increased by approximately 139.6% from HK\$63.81 million as at 31 March 2013 to HK\$152.9 million as at 31 March 2014 was mainly due to the decrease in net realizable value of the inventories and the provision for impairment of the machinery of the ornament and jewelry factory in Haifeng County.

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As advised by the Company, for the four-month ended 31 July 2014, due to increasing intense market competition from the manufacturers in Hong Kong, the PRC and the South Asian countries, TCK's revenue decreased by approximately HK\$10.7 million to approximately HK\$17.1 million as compared to the corresponding period in 2014. Notwithstanding the aforesaid, TCK recorded a net profit of approximately HK\$146.3 million for this period and its net liabilities as at 31 July 2014 was reduced to approximately HK\$7.1 million, which, however, was attributable from the waiver of the amounts due to the holding companies and the fellow subsidiaries amounting to approximately HK\$160,103,000 (the "Waiver") rather than the improvement in its business. After excluding the Waiver, TCK recorded loss before taxation of approximately of HK\$13,843,000.

Based on the aforesaid, we consider that the operation of TCK, the manufacturing arm of the Group performed unfavourably.

Reasons of and benefits for the Disposal

As disclosed in the Board Letter, the business environment for the manufacture and sale of fashion accessories has been competitive in the past few years and the WFOE has recorded losses for the past three years. In this connection, the Board has been reviewing the operations of the WFOE whose performance was mainly affected by increasing production costs in the recent years and therefore has dragged down the financial performance of the Company as a whole. In view of this, the Disposal is expected to allow the Company to reallocate resources to expand the existing accessories retailing business and retailing business for other types of products with higher growth potential. Therefore, the Directors consider that the Disposal and transactions contemplated under the Disposal Agreement represent an opportunity to the Company for realising its loss-making businesses and re-directing its resources to the businesses with growth potential.

In addition, based on the unaudited financial information of TCK for the year ended 31 March 2014, revenue of and net loss after taxation attributable to TCK were approximately HK\$59,262,000 and HK\$87,917,000 respectively, which in turn represent approximately 34.21% and 81.16% of the revenue and net loss after taxation of the Group for the same financial year. The decrease in turnover and the increase in net loss of TCK for the financial year ended 31 March 2014 were mainly due to the low gross profit margin of the sales of CDM fashion accessories, high labour costs and fluctuation of raw materials costs. The manufacturing arm of the Group performed unfavourably and dragged down the financial performance of the Group as a whole.

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The Board Letter further disclosed that upon Completion, in addition to the recognition of the one-off gain of approximately HK\$23,350,000, the Group is able to discontinue the substantial cash outflow position of its manufacturing arm and redeploy the financial resources on the existing accessories retailing business with better promotion campaign and more stores in better locations. The Group will continue to carry out CDM of fashion accessories after Completion while it will outsource the manufacturing process to independent contract manufacturers with more competitive price. It is expected that some of the internationally renowned brands (with very low gross profit margin) will discontinue their orders with the Group as a result of the disposal of the manufacturing plant. However, as the outsourcing manufacturing fee of fashion accessories to be incurred by the Group is expected to be lower than the production costs that would otherwise be incurred if produced in-house by the Group's manufacturing plant, the Group can effectively better control the overall production costs and becomes more competitive in attracting more other internationally renowned brands.

We have noted that (i) the Group's retailing and distribution business segment recorded segment losses for the three years ended 31 March 2014, while the CDM sales segment recorded segment profits for the year ended 31 March 2012 and 2013 and a segment loss for the year ended 31 March 2014; and the (ii) the manufacturing process of the CDM of fashion accessories will be outsourced to independent third manufacturers upon Completion and thus, outsourcing fees will be incurred by the Company after Disposal. However, as discussed in the sub-section headed "Business overview of the Group" in this letter, segment loss of the Group's retailing and distribution business had been materially decreased in the year ended 31 March 2014 and increasing manufacturing costs which include high labour costs and fluctuation of raw materials costs has been a challenge faced by the Group in recent years. We have discussed with and understand from the Company that in view of the high labour costs and fluctuation of raw materials costs and in order to achieve a better cost control, the Group has already since early 2014 outsourced the manufacturing process of its own brand fashion accessories at a more competitive price. The Company has advised that the Group will continue to carry out CDM of fashion accessories after Completion. As the outsourcing manufacturing fee of fashion accessories to be incurred by the Group is expected to be lower than the production costs that would otherwise be incurred if produced in-house by the Group's manufacturing plant, the Group can effectively better control the overall production costs and thus increase its competitiveness in the CDM business segment.

In light of the reasons for the Disposal as aforesaid and the Disposal will allow the Group to (i) discontinue the substantial cash outflow position of its manufacturing arm; (ii) increase its competitiveness in the CDM business segment as it will have a better cost control on its manufacturing costs by means of outsourcing to independent contract manufacturers at a more competitive price; and (iii) redeploy the Company's financial resources from TCK, which had been loss-making for the past few years, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

Overview of the jewelry and accessories market

The Hong Kong Trade and Development Council conducted a research on consumer spending in ten major cities located in the mainland China, namely Beijing, Shanghai, Guangzhou, Hangzhou, Nanjing, Chengdu, Chongqing, Dalian, Shenyang and Wuhan and published a report in 2014 (the “2014 Report”). According to the 2014 Report, compared with the research result conducted by it in 2011, the number of interviewees with planned spending on jewelry and accessories had increased remarkably by 13% to 66%. It became more and more common for consumers to wear jewelry and accessories in ordinary life with daily cloths and for work. Most of the interviewees would purchase jewelry and accessories in order to be trendy and for mix and match with cloths. The median spending amount of interviewees in the past one year was RMB4,000 in which 87% of them expected to maintain or increase their spending in the next year. Customers in first-tier cities are more optimistic.

The 2014 Report further disclosed that although shopping at department stores remained as the major shopping pattern for jewelry and accessories, there had been increases in the percentage of shopping at specialized retail shops of chain operators as well as individual stores. Interviewees preferred to obtain product information directly from retailers and professional personal services from salespersons.

The 2014 Report further disclosed that the image of Hong Kong branded jewelry and accessory products in these cities is good mainly due to the uniqueness, trendy design and creativity of those Hong Kong branded products. In general, Hong Kong branded products enjoy a price premium of 47% but the amount of price premium of Hong Kong branded products in first tier cities such as Shanghai and Guangzhou and among the higher income group is lower although those higher income group had the best perception on Hong Kong branded products. As such, in addition to brand building, Hong Kong brands need to put more effort on value adding to their brands.

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2. Terms of the Disposal Agreement

According to the Directors, the terms of the Disposal Agreement were arrived at after arm's length negotiations between the parties thereto. The Directors are of the view that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Highlighted below are the principal terms of the Disposal Agreement:

(a) **Date:** 9 October 2014

(b) **Parties:**

Vendor: Artist Star International Development Limited, a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company

Purchaser: Celestial Elite Investments Limited, an investment holding company incorporated in Samoa with limited liability and is wholly owned by Mr. Tse

(c) **Assets to be disposed of**

Sale Shares: 100 ordinary shares of US\$1.00 each in the issued share capital of TCK, being the entire issued share capital of TCK, free from encumbrances and together with all rights now or thereafter attached thereto

(d) **The Consideration for the Sale Share**

The consideration for the Sale Shares shall be HK\$16,257,000 and the Purchaser shall pay to the Vendor the consideration in cash on Completion.

As disclosed in the Board Letter, it is expected that the net proceeds from the Disposal in the amount of approximately HK\$15,257,000 (after deducting all relevant fees and expenses) will be used for the general working capital of the Group. The Company intends to use the general working capital (i) as to approximately HK\$10 million for traditional offline marketing and advertising in order to facilitate the expansion of the retailing business of the Group; (ii) as to approximately HK\$3 million for professional training for salespersons to improve the service quality and royalty of the staff; and (iii) as to approximately HK\$2.3 million for other general operating expenses of the Group.

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As advised by the Directors, the consideration of HK\$16,257,000 was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the consolidated net liabilities (after the Waiver) of TCK of approximately HK\$7,093,000 as at 31 July 2014 and the appreciation of the Property of approximately HK\$23,350,000, which is equal to the difference between the carrying value of the Property of approximately HK\$17,801,000 as at 31 July 2014 and the preliminary appraised value of the Property of RMB32,660,000 (equivalent to approximately HK\$41,151,000) as at 31 August 2014 given by the Valuer.

We have enquired with the Company the details of the Waiver and were advised that the Waiver was granted on 31 July 2014, which is not conditional on completion of the Disposal. The Waiver involves the waiver of the amounts due by TCK and the WFOE to the holding companies and the fellow subsidiaries (i.e. members of the Group) of approximately HK\$160,103,000, which represented the Group's investments in TCK and the WFOE as well as the inter-company balance between members of the Group and TCK and the WFOE incurred in the past few years. As a result of the Waiver, the holding companies and fellow subsidiaries of the Group recorded losses of approximately HK\$160,103,000 in aggregate on 31 July 2014 which were eliminated in the Group against the gain of TCK arising from the Waiver.

However, upon Completion, the Directors expect a decrease in retained earnings of approximately HK\$160,103,000 in the accounts of the non-disposed companies of the Group and an increase in retained earnings of approximately HK\$160,103,000 in the accounts of the Disposal Group will be recorded in the consolidated accounts of the Group for the year ending 31 March 2015 as a result of the Waiver.

Regarding the Property owned by the WFOE, the results of the Valuation of the Property conducted by the Valuer were set out in Appendix II to the Circular. Based on the Valuation Report, the market value of the Property as at 31 August 2014 was RMB32,660,000 (equivalent to approximately HK\$41,151,000).

3. Valuation Report

In assessing the fairness and reasonableness of the Valuation Report, we have complied with the steps set out under note 1(d) to Rule 13.80 of the Listing Rules and performed the following work:

(i) *Experience of the Valuer and their engagement*

We have discussed with the Valuer in relation to their experiences and understood that Mr. Sr Oswald W Y Au, the director of the Valuer, has about 7 years' experience in the valuation of properties in the PRC and 10 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea. He holds a Master's

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Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. We, therefore consider that he is qualified to provide a reliable valuation of the Property.

We asked the Company to provide the engagement letter with the Valuer to review its engagement. Based on the aforesaid engagement letter and our discussion with the Valuer in relation to their terms of engagement, in particular, their scope of work, we noted as there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in their report. We consider that their scope of work is appropriate to the opinion required to be given.

(ii) Valuation assumption and methodology

As stated in the Valuation Report, the Valuer was given instruction by the Company to conduct a valuation of the Property.

In valuing the Property, the Valuer has complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

(a) Valuation methodology

According to the discussion with the Valuer, we noted that market approach and depreciated replacement cost approach are commonly adopted for valuation of Property.

Market approach involves making reference to the comparable market transactions available in the market whereas depreciated replacement cost approach Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

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In this engagement, it is stated in the Valuation Report that due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, the Valuer had valued and provided its opinion of value of the Property on the basis of its depreciated replacement cost.

(b) Valuation assumption

Please refer to Appendix II to the Circular for the detailed description of the valuation assumption of the Valuation Report.

We discussed with the Valuer regarding the aforesaid assumption and noted that it is the normal assumption in relation to the valuation of assets.

Based on the aforesaid, we concur with the Valuer that the Valuation methodology is fair and reasonable. However, Shareholders should note that since the Valuation involves various bases and assumptions, it may or may not accurately reflect the true market value of the Property.

We have further reviewed the unaudited consolidated management accounts of TCK as at 31 July 2014 prepared by the Directors and subsequently adjusted pursuant to the Valuation. We noted that the consideration of the Disposal is equal to the net assets value of TCK (after the Waiver) as adjusted by the market value of the Property in the Valuation.

In light of (i) the consideration of the Disposal was determined after arm's length negotiations among the Company and the Purchaser; (ii) the market value of the Property in the Valuation was fairly and reasonably determined by the Valuer; (iii) the consideration of the Disposal is equal to the net assets value of TCK (after the Waiver) as adjusted by the market value of the Property in the Valuation, we consider that the consideration of the Disposal is fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible financial effects of the Disposal

As confirmed by the Directors, upon Completion, the Company will not hold any interest in TCK and the WFOE and TCK and the WFOE will cease to be subsidiaries of the Company and their financial results will cease to be consolidated with the accounts of the Company.

(i) Effect on earnings

Based on the unaudited consolidated management account of TCK as at 31 July 2014, the Directors expect to recognise an unaudited gain of approximately HK\$23,350,000, being the difference between the consideration of HK\$16,257,000 and the consolidated net liabilities (after taking into account of the Waiver) of TCK as at 31 July 2014 of approximately HK\$7,093,000. On 31 July 2014, the holding companies and the fellow subsidiaries of TCK recorded losses of approximately HK\$160,103,000 in aggregate as a result of the Waiver which were eliminated in the Group against the gain of TCK arising from the Waiver. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and is to be determined based on the amount of the consolidated net liabilities of TCK at Completion.

In addition, upon Completion, the Directors expect a decrease in retained earnings of approximately HK\$160,103,000 in the accounts of the non-disposed companies of the Group and an increase in retained earnings of approximately HK\$160,103,000 in the accounts of the Disposal Group will be recorded in the consolidated accounts of the Group for the year ending 31 March 2015 as a result of the Waiver.

(ii) Effect on assets and liabilities

As disclosed in the annual report of the Company for the year ended 31 March 2014, the Group recorded total assets and total liabilities of approximately HK\$126,098,000 and HK\$66,695,000 as at 31 March 2014 respectively. It is estimated that upon the Completion, the total assets and total liabilities would decrease by HK\$8,760,000 and HK\$32,118,000 to approximately HK\$117,330,000 and HK\$34,577,000 respectively. Since it is expected that the Group will recognize an unaudited gain of HK\$23,350,000, it is estimated that the net assets of the Group would increase by HK\$23,350,000 as a result of the Disposal.

Judging from the possible financial effects of the Disposal as mentioned in this sub-section, we are of the view that the overall financial effects of the Disposal are favourable to the Company.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated in this letter, we are of the opinion that (i) the terms of the Disposal Agreement are on normal commercial terms; (ii) the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the proposed resolution in this regard.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director – Corporate Finance

Note: Ms. Josephine Lau has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012 and 2007, respectively. Ms. Lau has more than 13 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2012, 2013 and 2014 are set out on pages 48 to 120, 50 to 112 and 47 to 112 in the annual reports of the Group for the years ended 31 March 2012, 2013 and 2014 respectively.

The aforementioned financial information of the Group can be accessed on the website of the Company (<http://www.artini-china.com>) and the website of the Stock Exchange (www.hkexnews.hk).

INDEBTEDNESS OF THE GROUP**Borrowings**

As at the close of business on 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

1. Secured other borrowings with an outstanding amount of HK\$19,000,000, bearing interest of the rate of 10% per annum which is repayable on 28 January 2015;
2. Unsecured loan of HK\$13,000,000 granted by Mr. Tse, a controlling shareholder of the Company which is interest-free and is repayable on demand;
3. The Group has pledged certain buildings with net carrying amounts of approximately HK\$6,870,000 to secure the bank and other borrowings granted to the Group;
4. The Group has pledged bank deposits of approximately HK\$800,000 to secure for the banking facilities, in which the banks provide bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 30 September 2014, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

Contingent liabilities or guarantees

As at the close of business on 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any contingent liabilities or guarantees.

MATERIAL ADVERSE CHANGE

On 22 October 2014, the Company issued a profit warning announcement to the effect that, based on a preliminary review of the unaudited consolidated management accounts of the Group, the Group is expected to record an increase in the losses attributable to the Shareholders for the six months ended 30 September 2014 as compared to the corresponding period in 2013, primarily as a result of (i) the decrease in the Group's revenue of approximately 40% for the six-month ended 30 September 2014 as compared to that for the corresponding period in 2013, and (ii) the continuous increase in manufacturing costs. Save as aforesaid, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

WORKING CAPITAL

The Directors are of the opinion that after taking into account: (i) the existing financial resources available to the Group and the Group's expected internally generated funds (including the Disposal Group up to date of Completion); (ii) no request of the early repayment of the unsecured loan of HK\$13,000,000 granted and confirmed by Mr. Tse in writing; and (iii) Mr. Tse agreed in writing to provide or procure financial support to the Company and/or the Group commencing 3 October 2014 and until 31 December 2015, we have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the annual report of the Company for the year ended 31 March 2014, the Group recorded a total turnover of approximately HK\$173,236,000 (2013: HK\$191,218,000), representing a decrease of 9.4% as compared with last year. The decrease was mainly due to the intense market competition in Hong Kong and the PRC, and the sluggish performance of the European economy. Gross profit was HK\$18,215,000 (2013: HK\$43,830,000), representing a decrease of 58.4% as compared with last year. During the year, loss attributable to owners of the Company was approximately HK\$108,299,000 (2013: HK\$109,008,000). Basic loss per share was HK\$0.088 (2013: HK\$0.088).

Although the outlook of the PRC economy has been uncertain starting from the second half of 2013, our retailing sales in PRC increased from approximately HK\$32,297,000 in 2013 to approximately HK\$39,180,000 in 2014, due to our strategic change in our new retailing business plan. As at 31 March 2014, the Group had a total of approximately 15 retail points (2013: 30 retail points) throughout the PRC and Hong Kong covering over 5 cities in the PRC. During the year, the retail business recorded a turnover of HK\$49,049,000 (2013: HK\$44,482,000), accounting for approximately 28.3% of the Group's total turnover and representing an increase of 10.3% as compared with last year.

For the year ended 31 March 2014, the export business was affected by the intense market competition in Hong Kong, the uncertain economic prospects in Europe, and the consequent drop in demand for imports. As a result, the Group's CDM business recorded a turnover of approximately HK\$124,187,000 (2013: approximately HK\$146,736,000), representing a 15.4% drop from the same period of last year and accounting for 71.7% of the total turnover.

The performance of CDM business in the second half of the reporting period was weaker than the first half of the Year. It was driven by the decrease in the revenue during the second half of the year and the specific allowance for doubtful debts on trade receivables of approximately HK\$3,908,000 had been recognized.

For the year ended 31 March 2014, the "ARTINI" brand has undergone packaging upgrade and brand restructuring, and re-positioned itself as a light luxurious trendy jewelry and clubhouse brand in 2014. In the first half of 2014, the upgraded brand "ARTINI" welcomed the grand opening of its first new store in Guiyang. Established retail stores will be revamped selectively and certain underperforming stores will be closed strategically in order to redeploy internal resources, streamline personnel structure and reduce expenditures, thereby lowering operating costs.

In future, the "ARTINI" brand will concentrate its resources on Guangzhou, Shenzhen and Hong Kong, strengthen channel expansion and initiate a new business model. The new business model will be operating on an O2O mode, which involves activating an e-commerce platform and closely integrating online and offline businesses. Real stores will be used to enhance physical experience and promote the convenient online sales.

Through consistently adopting the customer relationship management plan and taking advantage of "WeChat", the new mode of communication, the Group managed to increase its connection and interaction with customers, thus attracting more customers to apply for membership and further enhancing their loyalty.

The upgraded brand "ARTINI" is committed to creating more refined quality fashionable accessories while striving to establish a unique "ARTINI Lifestyle" for Chinese ladies. It will incorporate living elements into the concept clubhouse of "ARTINI TIME" to build a trendy spot of shopping, leisure and experience and forge a fashionable and cultural cosmopolitan icon. Meanwhile, the brand will activate the full operation of e-commerce. On the one hand, the Group will use various channels to clean up its old stock; and on the other hand, it will employ multi-dimensional airborne to surface means to promote and market its products.

The Group is currently discussing with certain distributors for potential distribution rights of both middle-end and high-end branded watches in Guangdong Province. The new product line is designed to capture the mid to upper-end market for business executives and professionals in the PRC. This new business line is expected to command a higher profit margin, and will help the Group further diversify its product and revenue base. As disclosed in the annual report 2014 of the Company, the Group will continue to streamline our existing market and sale networks and conduct a detailed review on the current operation and business strategies of the Group, such as restructuring the Group's manufacturing facilities to enhance the leading position of the Group and lay a solid foundation for future development. The Company considers the Disposal and the introduction of the new business line are in line with the Group's strategies to save costs while at the same time observe market opportunities with high potentials.

As mentioned in the announcement of the Company dated 23 September 2014 in relation to, among other things, a proposed capital reorganization, a proposed change in board lot size and proposed open offer of new shares on the basis of three offer shares for every new share held on record date (the "Proposed Open Offer"). The Company is now moving ahead to restructure those existing business which are now operating at loss or at low profit margin, and at the same time seeking for investment opportunities. The enlarged capital base resulting from the Proposed Open Offer will support the continuing development and daily operations of the Group's existing business activities while providing capital for the Company to invest in potential new business. The Company intends to apply such net proceeds from the Proposed Open Offer (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; (iv) as to approximately HK\$13 million will be used for the repayment of an amount due to 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.

The Group plans to use the general working capital (i) in an approximate amount of HK\$35 million for the development and further upgrade of the Group's information system and information technology. The Group plans to implement a comprehensive enterprise resource planning (ERP) system that combines the data processing of various functions including procurement, inventory control and accounting, which will results in higher efficiency, flexibility, accuracy and timelines in the Group's budgeting, inventory control and financial reporting, (ii) in an approximate amount of HK\$16 million for e-advertising expenses, and (iii) in an approximate amount of HK\$15 million for general selling and administrative expense and other general operating expenses.

To the extent that the net proceeds to be used for general working capital are not applied immediately to the above purposes, the Group will deposit the net proceeds into short-term deposits/investments. The Group will only select investment products based on minimum exposure of investment risk and flexibility. It is the current intention of the Group to place a sum of HK\$5 million into three-month fixed time deposits in foreign currencies, mainly Renminbi, in reputable and sizeable banks in Hong Kong, which is relatively lower in investment risk. The Group may also subscribe for investment products, preferably of principal guaranteed, with expected interest returns higher than that of ordinary bank deposits in the future. The investment period is normally restricted to not more than one year in order to keep the Group with adequate cash flow for flexibility.

In addition, as mentioned in the announcement of the Company dated 14 October 2014, the Company entered into three provisional agreements with independent third parties to dispose of certain properties that are currently used as the headquarter office of the Group in Hong Kong. The Group was of the view that the disposal of the properties could realize the capital gain of the properties amid the continuous increase in property prices in Hong Kong. The proceeds of approximately HK\$44 million arising from the disposal of the properties will be used as general working capital of the Group and for future investment should such opportunities arise. The Company intends to use approximately HK\$40 million for acquiring a new office premises for the Group and the remaining approximately HK\$4 million for general working capital of the Group.

Save as disclosed in this circular, the Company has no current intention of further disposal of or scale down or terminate any of other existing business segments of the Group.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2014 of the property interests of the Group.



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30 October 2014

The Board of Directors
Artini China Co. Ltd.
Flat B1, 1st Floor
Kaiser Estate, Phase 1
41 Man Yue Street
Hung Hom
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have undertaken a valuation to determine the market value of the property held by Artini China Co. Ltd. (the "Company") and its subsidiaries (hereinafter referred to as the "Group") located in Yuanshanling Industrial Area, Ketang Town, Haifeng County, Shanwei City, Guangdong Province, the People's Republic of China (the "PRC"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 August 2014 (the "valuation date").

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

Our valuations also exclude potential tax liability which might arise if the assets were to be sold at the valuation date, including but not limited to profit tax, business tax, land appreciation tax, capital gain tax and any other relevant taxes prevailing at the valuation date.

Our valuation has been made on the assumption that the owner sells the property interests in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

Continued uses assume the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

Unless otherwise stated in the report, no environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers. It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report.

Due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, we have valued the property on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have been shown copies of various title documents, sales and purchase agreements and other document relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Shu Jin Law Firm, concerning the validity of the property interests in the PRC.

We have relied to a very considerable extent on the information given to us by the Company in the course of valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We have accepted advice given to us on such matters as title, planning approvals, statutory notices, easements, tenure, leases, particulars of occupancy, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness. We have been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the appraised property. However, we must point out that we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the property are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have further assumed that the property was not transferred or involved in any contentious or non-contentious dispute as at the date of valuation. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

The site inspection was carried out on 16th October 2014 by our Ms. Sarah Lee, Bachelor's Degree of Science in Estate Management from the University of Reading with 3 years experience in Hong Kong and the PRC, Valuer of Avista Valuation Advisory Limited.

In accordance with our standard practice, the valuation certificate is for the exclusive use of the party to whom it is addressed and no responsibility is accepted to the third party for the whole or any part of its contents.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Avista Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 7 years' experience in the valuation of properties in the PRC and 10 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014 RMB
4 parcels of land, various buildings and structures located at Yuanshanling Industrial Area Ketang Town Haifeng County Shanwei City Guangdong Province The PRC	<p>The property comprises 4 parcels of land with a total site area of approximately 27,892 sq.m. and 15 buildings and various structures erected thereon completed in about 2000.</p> <p>The buildings have a total gross floor area of approximately 38,676.22 sq.m.</p> <p>The buildings mainly include industrial buildings, warehouses and dormitories.</p> <p>The land use rights of the property have been granted for various terms with the latest expiry date on 26 December 2055 for non-domestic use.</p>	The property is currently occupied by the Group for production, storage and ancillary office use.	32,660,000

Notes:

1. Pursuant to 4 Real Estate Ownership Certificates – Yue Fang Di Zheng Zi Di Nos. C4130339 to C4130342, the land use right of the property with a total site area of approximately 27,892 sq.m. and a total gross floor area of approximately 40,015.32 sq.m. is held by Artist Empire (Hai Feng) Jewellery Mfy. Limited (超群(海豐)首飾廠有限公司), an indirect wholly-owned subsidiary of the Company, for various terms with the latest expiry date on 26 December 2055 for non-domestic use. As informed by the Company, one of the buildings of Yue Fang Di Zheng Zi Di No. C4130339 had a fire accident with the gross floor area of approximately 2,345.6 sq.m. in about 2009 which the original structure had been demolished.
2. In valuation of the property, we have attributed no commercial value to the 2 blocks of building with a total gross floor area of approximately 1,006.5 sq.m., which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB780,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. No mortgage, court order or any restriction of transaction record have been found.
4. A summary of major certificates/licenses provided by the Company are as follows:

a.	Real Estate Ownership Certificate	Yes*
b.	Business Licenses	Yes
*	excepted the note 2 properties	
5. As confirmed by the Group that there is no plans for construction, renovation, improvement or development of the property.
6. As confirmed by the Group that there is no material environmental and planning issues.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' INTERESTS**Interests of Directors in the Company**

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity	Number of Shares held	Number of shares subject to options granted	Approximate percentage of shareholding
Mr. Tse	Beneficial owner and interested in controlled corporation	1,100,091,988 (Note 1)	-	44.45% (Note 3)
	Beneficial interest		12,000,000 (Note 2)	0.97% (Note 4)
Mr. Lin Shao Hua	Beneficial interest	-	12,000,000 (Note 2)	0.97% (Note 4)

Notes:

- As at the Latest Practicable Date, Mr. Tse was interested in 542,633,994 Shares held by Walifax Investments, which is wholly and beneficially owned by Mr. Tse, and had personal interests in 7,412,000 Shares. Upon completion of the capital reorganization (as defined in the circular of the Company dated 24 October 2014), Mr. Tse will be interested in 275,022,997 new shares. Pursuant to the Underwriting Agreement, Mr. Tse and Walifax Investments have undertaken to take up 825,068,991 offer shares that will be allotted to them respectively as the holder of such new shares under the Proposed Open Offer, Mr. Tse therefore will be interested in 1,100,091,988 new shares upon the completion of the Proposed Open Offer.
- These options were granted by the Company under the share option scheme adopted by the Company on 23 April 2008.

3. The percentage of shareholding in the Company is calculated with reference to the number of Shares to be in issue immediately after completion of the Proposed Open Offer assuming no issue or repurchases of new shares on or before the record date (as defined in the circular of the Company dated 24 October 2014).
4. The percentage of shareholding in the Company is calculated with reference to the number of Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests in assets

As at the Latest Practicable Date, save for the Disposal Agreement in which Mr. Tse has material interest, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2014, being the date to which the latest published audited accounts of the Company were made up.

Interests in contract or arrangement

As at the Latest Practicable Date, save for the Underwriting Agreement and the Disposal Agreement which Mr. Tse has material interest, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

Competing business

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interest in business which competed or were likely, either directly or indirectly, with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held/involved	Approximate percentage
Walifax Investments (<i>Note 1</i>)	Beneficial owner	542,633,944	43.86%
Shanghai International Group Co., Ltd.	Beneficial owner	1,030,911,492	41.66% (<i>Note 3</i>)
Guotai Junan Securities Co., Ltd. (<i>Note 2</i>)	Interested in controlled corporation	1,030,911,492	41.66% (<i>Note 3</i>)
Guotai Junan Financial Holdings Limited (<i>Note 2</i>)	Interested in controlled corporation	1,030,911,492	41.66% (<i>Note 3</i>)
Guotai Junan Holdings Limited (<i>Note 2</i>)	Interested in controlled corporation	1,030,911,492	41.66% (<i>Note 3</i>)
Guotai Junan International Holdings Limited (<i>Note 2</i>)	Interested in controlled corporation	1,030,911,492	41.66% (<i>Note 3</i>)
Guotai Junan (Hong Kong) Limited (<i>Note 2</i>)	Interested in controlled corporation	1,030,911,492	41.66% (<i>Note 3</i>)
Guotai Junan Securities (Hong Kong) Limited (<i>Note 2</i>)	Interested in controlled corporation	1,030,911,492	41.66% (<i>Note 3</i>)

Notes:

1. Walifax Investments is wholly and beneficially owned by Mr. Tse.
2. (i) Guotai Junan Securities (Hong Kong) Limited is wholly owned by Guotai Junan (Hong Kong) Limited which in turn is a wholly-owned subsidiary of Guotai Junan International Holdings Limited;
- (ii) Guotai Junan Holdings Limited holds 66.22% interests of Guotai Junan International Holdings Limited;
- (iii) Guotai Junan Holdings Limited is wholly owned by Guotai Junan Financial Holdings Limited which in turn is a wholly-owned subsidiary of Guotai Junan Securities Co., Ltd.;
- (iv) Guotai Junan Securities Co., Ltd. Is a controlled corporation of Shanghai International Group Co., Ltd.; and
- (v) Accordingly, Guotai Junan (Hong Kong) Limited, Guotai Junan International Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan Financial Holdings Limited, Guotai Junan Securities Co., Ltd and Shanghai International Group Co., Ltd are deemed to have the same interest in the shares of the Company as Guotai Junan Securities (Hong Kong) Limited by virtue of the underwriting agreement dated 19 September 2014.

3. The percentage of shareholding in the Company is calculated with reference to the number of Shares to be issued immediately after completion of the Proposed Open Offer assuming no issues or repurchases of new Shares on or before the record date.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, there was no other person who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) the Underwriting Agreement;
- (b) the Disposal Agreement;
- (c) the provisional agreement for sale and purchase dated 14 October 2014 entered into among Gentleman Investments Limited, a wholly-owned subsidiary of the Company as vendor, and two purchasers, independent third parties, in relation to the disposal of the Unit B1 on 1st Floor, Kaiser Estate, No. 41 Man Yue Street, Kowloon, Hong Kong for a consideration of HK\$20,000,000, details of which are set out in the announcement of the Company dated 14 October 2014;

- (d) the provisional agreement for sale and purchase dated 14 October 2014 entered into between Gain Trade Enterprise Limited, a wholly-owned subsidiary of the Company, as vendor and a purchaser, an independent third party, in relation to the disposal of the Unit B on 2nd Floor, Kaiser Estate, No. 41 Man Yue Street, Kowloon, Hong Kong for a consideration of HK\$20,000,000, details of which are set out in the announcement of the Company dated 14 October 2014; and
- (e) the provisional agreement for sale and purchase dated 14 October 2014 entered into among Artist Empire Jewellery Mfy. Limited, a wholly-owned subsidiary of the Company, as vendor, and two purchasers, independent third parties, in relation to the disposal of the Car Parking Space No. 26 on Ground Floor, Kaiser Estate, Nos. 37-45 Man Yue Street, Kowloon, Hong Kong for a consideration of HK\$4,000,000, details of which are set out in the announcement of the Company dated 14 October 2014.

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Proton Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
the Valuer	professional property valuer

Each of Proton Capital and the Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of Proton Capital and the Valuer has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Proton Capital and the Valuer has any direct or indirect interest in any assets which have been, since 31 March 2014, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Ms. Ho Wing Yan. She is an associate member of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner’s Endorsement issued by HKICS.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong, Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong, up to and including the date of the SGM:

- (a) the memorandum and bye-laws of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (c) the letter from Proton Capital, the text of which is set out on pages 14 to 29 of this circular;
- (d) the property valuation report issued by the Valuer, the text of which is set out in Appendix II to this circular;
- (e) the material contracts referred to in the section headed “Material Contracts” of this appendix;
- (f) the letters of consent referred to in the section headed “Qualifications and Consents of Experts” in this appendix;
- (g) the annual reports of the Company for the two years ended 31 March 2013 and 2014; and
- (h) the circulars of the Company which have been issued since 31 March 2014.

ARTINI
ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “Meeting”) of Artini China Co. Ltd. (the “Company”) will be held at 11:00 a.m. on Monday, 17 November 2014 at Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional share sale and purchase agreement dated 9 October 2014 (the “Disposal Agreement”) entered into between (i) Artist Star International Development Limited (the “Vendor”) and (ii) Celestial Elite Investments Limited (the “Purchaser”) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) in relation to the disposal by the Vendor to the Purchaser of the entire issued share capital of TCK Company Limited at a consideration of HK\$16,257,000 and subject to and upon the terms and conditions contained in the Disposal Agreement, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, ratified and confirmed; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and things and sign, agree, ratify or execute all such documents and take all such actions as the director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Disposal Agreement and any transactions contemplated thereunder.”

By order of the Board
Tse Hoi Chau
Chairman

Hong Kong, 30 October 2014

NOTICE OF SGM

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

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

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote on a poll in his stead. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.
5. The resolution set out in this notice of special general meeting will be put to shareholders to vote taken by way of a poll.

As at the date hereof, 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. Zeng Zhaohui.