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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspects of this Prospectus or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Artini China Co. Ltd., you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents, together with the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up And Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Dealings in securities of the Company may be settled through CCASS and you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

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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)**

## OPEN OFFER OF NEW SHARES ON THE BASIS OF THREE OFFER SHARES FOR EVERY NEW SHARE HELD ON RECORD DATE

Underwriter to the Open Offer



**Guotai Junan Securities (Hong Kong) Limited**

**Financial adviser to Artini China Co. Ltd.**



**Guotai Junan Capital Limited**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this Prospectus.

The Latest Time for Acceptance of and payment for the Offer Shares is at 4:00 p.m. on Thursday, 11 December 2014. The procedure for acceptance of and payment for the Offer Shares is set out on pages 16 to 19 of this Prospectus.

Shareholders and potential shareholders of the Company should note that the Underwriting Agreement in respect of the Open Offer contains provisions granting the Underwriter, by notice in writing, the right at any time prior to the Latest Time for Termination to terminate the Underwriter's obligations thereunder on the occurrence of certain events. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this Prospectus. If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

Shareholders and potential investors of the Company should note that the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 19 November 2014 and that dealings in the Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any dealings in the Shares up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealings in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

27 November 2014

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## DEFINITIONS

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*In this Prospectus, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

|                              |   |
|------------------------------|---|
| “Announcement”               | the announcement of the Company in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size and the Open Offer dated 23 September 2014;  |
| “Application Form(s)”        | the form(s) of application in respect of the Open Offer to be used by the Qualifying Shareholders to apply for the Offer Shares;  |
| “associate(s)”               | has the meaning ascribed to it in the Listing Rules;  |
| “Board”                      | the board of Directors;   |
| “Business Day”               | any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business;   |
| “BVI”                        | British Virgin Islands;   |
| “Capital Reduction”          | the reduction of the issued share capital of the Company by the cancellation of (a) the paid-up capital of the Company to the extent of HK\$0.19 on each Consolidated Share such that the nominal value of each issued Consolidated Share was reduced from HK\$0.20 to HK\$0.01, and (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; |
| “Capital Reorganisation”     | the capital reorganisation of the Company, which took effect on 18 November 2014, involving the Share Consolidation, the Capital Reduction, the Share Subdivision and the Elimination of Accumulated Losses;  |
| “CCASS”                      | the Central Clearing and Settlement System established and operated by HKSCC;   |
| “CDM business”               | the concurrent design manufacturing business segment engaged by the Group where the Group concurrently designs and arranges the manufacture of products for internationally renowned brands according to their specified designs;   |
| “Company”                    | Artini China Co. Ltd., a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange;   |
| “Companies (WUMP) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);  |

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## DEFINITIONS

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|                                     |  |
|-------------------------------------|--|
| “Consolidated Share(s)”             | the ordinary share(s) of HK\$0.2 each in the share capital of the Company immediately following the Share Consolidation and prior to the Capital Reduction and the Share Subdivision;  |
| “Director(s)”                       | director(s) of the Company;  |
| “Disposal Agreement”                | the conditional sale and purchase agreement dated 9 October 2014 and entered into between Artist Star International Development Limited, a wholly-owned subsidiary of the Company, as vendor and Celestial Elite Investments Limited, a company wholly-owned by Mr. Tse, as purchaser in relation to the disposal of the entire issued share capital of TCK, the details of which were disclosed in the circular of the Company dated 30 October 2014; |
| “Elimination of Accumulated Losses” | the transfer of the credit amount arising from the Capital Reduction to the contributed surplus account of the Company, and the application of the whole sum of which to set off against part of the accumulated losses of the Company;  |
| “Excess Application Form(s)”        | the form(s) of application for use by the Qualifying Shareholders to apply for the Offer Shares in excess of their entitlements under the Open Offer;  |
| “Excluded Shareholder(s)”           | those Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the Company’s legal adviser(s), consider it necessary or expedient not to offer the Offer Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or the stock exchange in that place;   |
| “Group”                             | the Company and its subsidiaries;  |
| “HKSCC”                             | Hong Kong Securities Clearing Company Limited;   |
| “Independent Board Committee”       | the independent board committee of the Company established to advise the Independent Shareholders regarding the Open Offer;  |
| “Independent Shareholder(s)”        | the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement;  |

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## DEFINITIONS

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|--------------------------------|---|
| “Independent Third Party(ies)” | independent third party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates; |
| “Last Trading Day”             | 19 September 2014, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement;   |
| “Latest Practicable Date”      | 24 November 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus;   |
| “Latest Time for Acceptance”   | 4:00 p.m. on Thursday, 11 December 2014 or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the application and payment for the Offer Shares and excess Offer Shares;  |
| “Latest Time for Termination”  | 4:00 p.m. on the third Business Day after the Latest Time for Acceptance, or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement;   |
| “Listing Committee”            | has the meaning attributed to it in the Listing Rules;  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange;  |
| “Mr. Tse”                      | Mr. Tse Hoi Chau;   |
| “New Share(s)”                 | ordinary share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation has become effective;   |
| “Offer Share(s)”               | the New Shares to be allotted and issued under the Open Offer, being 1,855,980,483 New Shares to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents;  |
| “Old Share(s)”                 | the ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective;  |

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## DEFINITIONS

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|                             |   |
|-----------------------------|---|
| “Open Offer”                | the proposed issue of Offer Shares by the Company on the basis of three (3) Offer Shares for every one (1) New Share held on the Record Date at the subscription price of HK\$0.10 per Offer Share on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents;   |
| “Optionholders”             | holders of the Share Options;   |
| “Overseas Shareholder(s)”   | Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in place(s) outside Hong Kong;   |
| “PRC”                       | the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purposes of this Prospectus;  |
| “Prospectus”                | this prospectus issued by the Company in relation to the Open Offer;  |
| “Prospectus Documents”      | collectively, this Prospectus, the Application Form and the Excess Application Form;  |
| “Prospectus Issue Date”     | 27 November 2014, the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only to the Excluded Shareholders;  |
| “Provisional Agreement I”   | the provisional agreement for sale and purchase dated 14 October 2014 and 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;                                 |
| “Provisional Agreement II”  | the provisional agreement for sale and purchase dated 14 October 2014 and 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;                                  |
| “Provisional Agreement III” | the provisional agreement for sale and purchase dated 14 October 2014 and 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; |

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## DEFINITIONS

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|                           |  |
|---------------------------|--|
| “Qualifying Shareholders” | Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date other than the Excluded Shareholder(s);  |
| “Record Date”             | 25 November 2014, being the date by reference to which entitlements to the Open Offer was determined;  |
| “Registrar”               | the branch share registrar and transfer office of the Company in Hong Kong, being Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (address to be changed to A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong with effect from 1 December 2014); |
| “SFO”                     | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);   |
| “SGM”                     | the special general meeting of the Company held on 17 November 2014 where the Independent Shareholders have approved, among other things, the Open Offer;  |
| “Share(s)”                | Old Share(s) or New Share(s) (as the case may be);   |
| “Share Consolidation”     | the consolidation of every two (2) Old Shares of nominal value of HK\$0.10 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of nominal value of HK\$0.20;  |
| “Share Option Scheme”     | the share option scheme adopted by the Company on 23 April 2008;   |
| “Share Option(s)”         | right(s) to subscribe for Share(s) pursuant to the Share Option Scheme;  |
| “Share Subdivision”       | the sub-division of each authorised but unissued Consolidated Share of nominal value of HK\$0.20 each (including all those arising from the Capital Reduction) into twenty (20) New Shares of nominal value of HK\$0.01 each;  |
| “Shareholder(s)”          | holder(s) of Share(s) of the Company;  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited;   |
| “TCK”                     | TCK Company Limited, a company incorporated in BVI with limited liability disposed of by the Company under the Disposal Agreement;   |

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## DEFINITIONS

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|                                 |   |
|---------------------------------|---|
| “Undertaking Shareholders”      | Mr. Tse and Walifax Investments;  |
| “Underwriter” or “Guotai Junan” | Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the sole underwriter of the Open Offer; |
| “Underwriting Agreement”        | the underwriting agreement dated 19 September 2014 entered into among the Company, the Undertaking Shareholders and the Underwriter in relation to the underwriting arrangement of the Open Offer;                                    |
| “Underwritten Shares”           | all Offer Shares less such number of Offer Shares which Mr. Tse and Walifax Investments undertake to take up their respective entitlements under the Open Offer, being 1,030,911,492 Offer Shares;                                    |
| “Walifax Investments”           | Walifax Investments Limited, a company incorporated under the laws of the 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;  |
| “HK\$”                          | Hong Kong dollar, the lawful currency of Hong Kong;   |
| “%” or “per cent.”              | percentage or per centum.   |



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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties was (when originally given or when repeated in accordance with the provisions of the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is material in the context of the Open Offer;
- (b)
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (ii) any occurrence of local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
  - (iii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout;
  - (iv) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing;
  - (v) any change of an exceptional nature in local, national or international equity securities or currency markets;
  - (vi) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or circular relating to the Capital Reorganisation, the Open Offer or the Prospectus Documents or other announcement or circular relating in connection with the Capital Reorganisation and Open Offer;
  - (vii) any material disruption in securities settlement, payment or clearance services in Hong Kong authorities;

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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(viii) any moratorium on commercial banking activities having been declared by Hong Kong authorities;

(ix) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which event or events, in the reasonable opinion of the Underwriter, is or are:

- (1) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
- (2) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer.

If the Underwriter exercises such right, the Open Offer will not proceed.

Upon giving any of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party shall have any claim against any party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except in respect of any antecedent breach of the Underwriting Agreement, provided however that the Company shall remain liable to pay all reasonable costs, charges and expenses which may have been properly incurred by the Underwriter in connection with the Open Offer.

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## EXPECTED TIMETABLE

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2014  
(Hong Kong time)

|   |                                    |
|---|------------------------------------|
| Original counter for trading in the New Shares<br>in board lot of 20,000 re-opens . . . . .   | 9:00 a.m. on Tuesday, 2 December   |
| Parallel trading commences . . . . .  | 9:00 a.m. on Tuesday, 2 December   |
| Designated broker starts to stand in the market to<br>provide matching services for the sale and<br>purchase of odd lots of the New Shares . . . . .                      | 9:00 a.m. on Tuesday, 2 December   |
| Latest time for acceptance of and payment for<br>the Offer Shares, and application for<br>excess Offer Shares . . . . .   | 4:00 p.m. on Thursday, 11 December |
| Latest time for termination of the<br>Underwriting Agreement . . . . .  | 4:00 p.m. on Tuesday, 16 December  |
| Announcement on results of the Open Offer . . . . .   | Thursday, 18 December              |
| Certificate for fully-paid Offer Shares and refund cheques<br>in respect of unsuccessful excess applications (if any)<br>expected to be despatched on or before . . . . . | Friday, 19 December                |
| Dealings in fully-paid Offer Shares commence . . . . .  | Monday, 22 December                |
| Closure of temporary counter for trading in<br>the New Shares in board lot of 500 . . . . .   | 4:00 p.m. on Monday, 22 December   |
| Parallel trading ends . . . . .   | 4:00 p.m. on Monday, 22 December   |
| Designated broker ceases to stand in the market<br>to provide matching services for the sale and<br>purchase of odd lots of the New Shares . . . . .                      | 4:00 p.m. on Monday, 22 December   |
| Last day of free exchange of existing certificates for<br>new certificates for the New Shares . . . . .   | Monday, 29 December                |

*Notes:*

1. All times and dates in this Prospectus refer to Hong Kong local times and dates.
2. The latest time for acceptance of and payment for the Offer Shares will not take place at the Latest Time for Acceptance if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Latest Time for Acceptance. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; and

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## EXPECTED TIMETABLE

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- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. Instead of the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Latest Time for Acceptance, the dates mentioned in this section headed “Expected Timetable” may be affected. An announcement will be made by the Company in such event as soon as practicable.

**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*)  
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

*Principal place of business in Hong Kong:*

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

27 November 2014

*To the Shareholders*

Dear Sir or Madam,

**OPEN OFFER OF NEW SHARES ON THE BASIS OF  
THREE OFFER SHARES FOR EVERY  
NEW SHARE HELD ON RECORD DATE**

**INTRODUCTION**

References are made to the Announcement and the circular of the Company dated 24 October 2014 in relation to, among other things, the Open Offer.

At the SGM held on 17 November 2014, the resolution for approving the Open Offer and the Underwriting Agreement and the respective transactions contemplated thereunder was duly passed by the Independent Shareholders by way of poll.

The purpose of this Prospectus is to provide you with further information in relation to the Open Offer and other information in respect of the Company.

**OPEN OFFER**

The Open Offer is conditional upon the Capital Reorganisation becoming effective, which took place on 18 November 2014.

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## LETTER FROM THE BOARD

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### Issue statistics

|   |   |  |
|---|---|--|
| Basis of the Open Offer   | : | Three (3) Offer Shares for every one (1) New Share held on the Record Date |
| Subscription Price  | : | HK\$0.10 per Offer Share payable in full upon application                  |
| Number of Shares in issue as at the Latest Practicable Date   | : | 618,660,161 New Shares   |
| Number of Offer Shares  | : | 1,855,980,483 Offer Shares   |
| Aggregate nominal value of Offer Shares   | : | HK\$18,559,804.83  |
| Amount of proceeds to be raised before expenses   | : | Approximately HK\$185.6 million  |
| Estimated amount of proceeds to be raised after deduction of all estimated expenses (including underwriting commission) | : | Approximately HK\$183.0 million  |
| Number of Offer Shares undertaken to be taken up by Mr. Tse and Walifax Investments                                     | : | 825,068,991 Offer Shares   |
| Number of Offer Shares underwritten by the Underwriter  | : | 1,030,911,492 Offer Shares   |
| Number of Shares in issue immediately upon completion of the Open Offer   | : | 2,474,640,644 New Shares   |

### *Note:*

As at the Latest Practicable Date, there were outstanding Share Options conferring rights on the holders thereof to subscribe for up to 54,000,000 New Shares which are vested and exercisable at HK\$0.5236 per New Share (subject to adjustment, if any) during an exercise period from 28 March 2014 to 27 March 2019. The Company has obtained undertakings from each of the Optionholders that they will not exercise any Share Option at any time from the date of the Underwriting Agreement and up to the completion of the Open Offer.

The 1,855,980,483 Offer Shares proposed to be allotted and issued represent approximately 300.0% of the issued share capital of the Company immediately after the completion of the Capital Reorganisation; and (ii) approximately 75.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after completion of the Open Offer.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, save for the outstanding Share Options, the Company had no other outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into Shares.

### Subscription Price

The subscription price of HK\$0.10 per Offer Share will be payable in full upon application for Offer Shares. The Subscription Price represents:

- (a) a discount of approximately 78.0% to the closing price of HK\$0.454 per New Share (based on the closing price of HK\$0.227 per Old Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (b) a discount of approximately 78.8% to the closing price of HK\$0.4712 per New Share (based on the average closing price of HK\$0.2356 per Old Share for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (c) a discount of approximately 46.9% to the theoretical ex-entitlement price of HK\$0.1885 per Share based on the closing price of HK\$0.227 per Old Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (d) a premium of approximately 4.2% over the net asset value per New Share of approximately HK\$0.096 as at 31 March 2014 (based on the net asset value per Old Share of approximately HK\$0.048 as at 31 March 2014 according to the 2014 annual report of the Company and adjusted for the effect of the Share Consolidation); and
- (e) a discount of approximately 60.0% to the closing price of HK\$0.25 per New Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price per Offer Share was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market conditions, the net asset value of the Company, the Company's needs of funds as further specified in the paragraph headed "Reasons for the Open Offer and the Use of Proceeds" below and the allotment ratio of three Offer Shares for one New Share held. The Directors consider that the discounts to the respective prevailing market prices of the Shares above would encourage the Qualifying Shareholders to participate in the Open Offer, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group.

Given that the Company has been recording net losses for consecutive years, the Company considered that it is necessary to offer a relatively deep discount (in the range of 70% to 80%) in the subscription price so as to increase the attractiveness of the Open Offer. On the other hand, in order to raise a sizable amount of funds to meet the Company's needs

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## LETTER FROM THE BOARD

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as further specified in the paragraph headed “Reasons for the Open Offer and the Use of Proceeds” below, with a relatively low subscription price, a relatively high allotment ratio would be needed. Moreover, the Company considered that it would be beneficial to the Company and to the Shareholders if the subscription price for the Open Offer is determined at a price higher than the net asset value of the Company as it would enhance the overall net asset value per Share of the Company. The net asset value per New Share was approximately HK\$0.096 as at 31 March 2014 (based on the net asset value per Old Share of approximately HK\$0.048 as at 31 March 2014 according to the 2014 annual report of the Company and adjusted for the effect of the Share Consolidation). On the other hand, according to Appendix II of this Prospectus, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as adjusted for the Open Offer per New Share would be increased to HK\$0.098.

The Directors had performed sensitivity analysis of different combinations of allotment ratio and subscription price to compare the dilutive impact, level of discount to trading price and amount of proceeds that can be raised. Taking into account the other combinations, the Directors consider that by determining the subscription price at HK\$0.10, the Open Offer would represent an attractive investment opportunity for the Shareholders. The Directors had considered reducing the allotment ratio and raising the subscription price in order to raise the same amount of funds needed. However, the Directors consider that, given the same size of targeted amount funds to be raised and the same amount of contribution by each of the Shareholders, it is also important to provide a deep discount (in the range of 70% to 80%) to the Shareholders who participate in the Open Offer such that the Open Offer would represent an attractive investment opportunity amid the loss making track record of the Group and the fluctuating stock market environment. Despite a deeper discount would require a relatively higher allotment ratio in order to attain a specific targeted size of funds raised, the Directors consider that the allotment ratio (as well as the potential dilution effect on the Shareholders who do not participate in the Open Offer) of three for one to be acceptable because every Shareholders are given the opportunity to participate in the Open Offer fairly at an attractive subscription price.

Based on the above, the Directors, (including the independent non-executive Directors) consider the terms of the Open Offer, including the subscription price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Basis of provisional allotments**

The basis of the Open Offer will be three (3) Offer Shares for every one (1) New Share held by the Qualifying Shareholder on the Record Date at a subscription price of HK\$0.10 per Offer Share.

Application for all or any part of a Qualifying Shareholder’s assured entitlement should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for.



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## LETTER FROM THE BOARD

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### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must have lodged all transfers of the New Shares (with the relevant share certificate(s)) to the Registrar at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (address to be changed to A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong with effect from 1 December 2014) on or before 4:30 p.m. on Thursday, 20 November 2014. The last day of dealings in the New Shares on a cum-entitlement basis is Tuesday, 18 November 2014. The New Shares have been dealt with on an ex-entitlement basis from Wednesday, 19 November 2014.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of its/his/her entitlement under the Open Offer, its/his/her proportionate shareholding in the Company will be diluted.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of entitlements of the Offer Shares on the Stock Exchange.

### **Closure of register of members**

The Company's register of members was closed from Friday, 21 November 2014 to Tuesday, 25 November 2014, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of New Shares has been registered during this book closure period.

### **Rights of Overseas Shareholders and Excluded Shareholders**

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company was in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not expected to be registered under the applicable securities legislation of any jurisdictions other than Hong Kong.

Based on the register of members of the Company on the Record Date, the Company had one Overseas Shareholder whose address as shown on such register is in the PRC. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries as to whether the issue of Offer Shares may contravene the applicable securities legislation of the PRC or the requirements of the relevant regulatory bodies or stock exchanges. Based on the legal advice provided by the PRC legal adviser, the Directors are of the view that it is expedient to extend the Open Offer to the Overseas Shareholder in the PRC as there are no legal restrictions prohibiting the Company from making the Open Offer in the PRC's

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## LETTER FROM THE BOARD

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jurisdiction and no local legal or regulatory compliance is required to be attended by the Company in the PRC's jurisdiction. Accordingly, such Overseas Shareholder together with the Shareholders with registered addresses in Hong Kong are Qualifying Shareholders.

It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Offer Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. The Company will not be responsible for verifying the legal qualification of such Overseas Shareholder(s) in such territory or jurisdiction, thus, should the Company suffer any losses or damages due to non-compliance with the relevant laws of such territory or jurisdiction by any such Overseas Shareholder(s) and/or resident(s), the Overseas Shareholder(s) and/or resident(s) shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the Offer Shares to any such Overseas Shareholder(s) and/or resident(s), if at the Company's absolute discretion issuing the Offer Shares to them does not comply with the relevant laws of such territory or jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. If you are in any doubt as to your position, you should consult your professional advisers.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* with the New Shares in issue on the date of allotment and issue of the Offer Shares in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Procedures for application and payment for the Offer Shares**

Qualifying Shareholders will find the Application Form enclosed with this Prospectus which entitles them to subscribe for the number of Offer Shares shown therein. If you as a Qualifying Shareholder wish to accept all the Offer Shares provisionally allotted to you as specified in the Application Form or any lesser number of such Offer Shares, you must lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (address to be changed to A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong with effect from 1 December 2014) by no later than 4:00 p.m. on Thursday, 11 December 2014 (or, under bad weather conditions, such later date and/or time as mentioned in the section headed "Expected timetable" in this Prospectus). All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques

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## LETTER FROM THE BOARD

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must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Artini China Co. Ltd. — Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the duly completed Application Form, together with the appropriate remittance, have been lodged with the Registrar by 4:00 p.m. on Thursday, 11 December 2014 (or, under bad weather conditions, such later date and/or time as mentioned in the section headed "Expected timetable" in this Prospectus), the Application Form and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Offer Shares will be available for application by the Qualifying Shareholders through the Excess Application Form. The Application Form contains full information regarding the procedures to be followed for acceptance of the whole or part of your assured entitlement of the Offer Shares.

All cheques or banker's cashier orders will be presented for payment immediately upon receipt and all interests earned on such application monies (if any) will be retained for the benefit of the Company. Completion and lodgment of the Application Form together with a cheque or banker's cashier order in payment of the Offer Shares being applied for will constitute a warranty that the cheque or banker's cashier order will be honoured upon first presentation. Any Application Form in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation is liable to be rejected, and, in such event, the relevant entitlements thereunder will be deemed to have been declined and will be cancelled. The Application Form is for use only by the Qualifying Shareholders and is not transferable. No receipt will be issued in respect of any Application Form or any application monies received.

If the Underwriter exercises the rights to terminate the Underwriting Agreement or if the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed and the monies received in respect of acceptances of the Offer Shares will be refunded to the Qualifying Shareholders, without interest by means of cheques crossed "Account Payee Only" to be despatched by ordinary post to their respective registered addresses at their own risk as soon as practicable thereafter.

### **Application for Excess Offer Shares**

Qualifying Shareholders shall be entitled to apply for entitlements of Offer Shares which is not taken up by other Qualifying Shareholders.

If you as a Qualifying Shareholder wish to apply for any Offer Shares in addition to your assured entitlement indicated on the Application Form enclosed with this Prospectus, you must complete and sign the enclosed Excess Application Form in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Offer Shares applied for, with the Registrar at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (address to be changed to A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong with effect from 1 December 2014) by no later than 4:00 p.m. on Thursday, 11 December 2014 (or, under bad weather conditions, such later date and/or time as mentioned in the section headed "Expected timetable" in this Prospectus). The

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## LETTER FROM THE BOARD

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Excess Application Form is for use only by the person(s) named therein and is not transferable. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Artini China Co. Ltd. — Excess Application Account" and crossed "Account Payee Only". No receipt will be issued in respect of any Excess Application Form or any application monies received.

The Company will notify the Qualifying Shareholders the allocation result of excess application for Offer Shares on Thursday, 18 December 2014 by way of announcement.

The Directors will allocate the excess Offer Shares (if any) at their discretion, but on a fair and equitable basis, to the Qualifying Shareholders who have applied for excess Offer Shares on a pro-rata basis with reference to the number of excess Offer Shares applied for but no reference will be made to Offer Shares comprised in applications by Application Forms or the existing number of Shares held by the Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots to avoid such mechanism being abused. The Directors consider the allocation of the excess Offer Shares on a pro-rata basis to be a fair and equitable basis. The Directors have made reference to a number of recent precedent cases of fund raising exercises carried out by other listed companies in selecting such basis of allocation.

All cheques and banker's cashier orders will be presented for payment immediately following receipt and all interests earned on such monies shall be retained for the benefit of the Company. Completion and lodgement of the Excess Application Form together with a cheque or banker's cashier order in payment of the excess Offer Shares being applied for will constitute a warranty that the cheque or banker's cashier order will be honoured upon first presentation. Any Excess Application Form in respect of which the accompanying cheque or banker's cashier order is dishonored on first presentation is liable to be rejected and cancelled. In the event of overpaid application, a refund cheque will be made out to the Qualifying Shareholder only if the overpaid amount is HK\$100 or above.

If no excess Offer Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the full amount tendered on application for the excess Offer Shares without interest will be posted to the Qualifying Shareholder's address on the register of member of the Company by ordinary post at their own risk on or before Friday, 19 December 2014. If the number of excess Offer Shares allotted to the Qualifying Shareholders is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to the Qualifying Shareholder's address on the register of members of the Company by ordinary post at their own risk on or before Friday, 19 December 2014.

Shareholders with their Shares held by a nominee company (or which are deposited into the CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the above arrangement in relation to allocation of excess Offer Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company (or which are

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## LETTER FROM THE BOARD

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deposited into CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. If the aggregate number of Offer Shares not taken up by the Qualifying Shareholders under Application Forms is greater than the aggregate number of excess Offer Shares applied for through the Excess Application Form, the Directors will allocate to each Qualifying Shareholder who applies for excess Offer Shares in full application. Excess application from Qualifying Shareholders (including registered nominee company) will be accepted by the Company even if their assured entitlement of the Offer Shares is not subscribed for in full.

If the Underwriter exercises the rights to terminate the Underwriting Agreement or if the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed and the monies received in respect of application for excess Offer Shares will be refunded to the Qualifying Shareholders without interest by means of cheques crossed “Account Payee Only” to be despatched by ordinary post to their respective registered addresses at their own risk as soon as practicable thereafter.

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fee and any other applicable fees and charges in Hong Kong.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

The Offer Shares shall have the board lot size of 20,000 New Shares.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the securities to be admitted into CCASS. Shareholders should seek advice from their licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Fractions of the Open Offer Shares**

Given the Open Offer is on the basis of three (3) Offer Shares for every one (1) New Share, there will be no fraction of Offer Shares.

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## LETTER FROM THE BOARD

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### Certificates and refund cheques for the Offer Shares

Subject to the Open Offer becoming unconditional, share certificates for all fully paid Offer Shares are expected to be despatched on or before Friday, 19 December 2014 by ordinary post to the Qualifying Shareholders who have validly accepted and (where applicable) applied for, and paid for the Offer Shares at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares are also expected to be despatched on or before Friday, 19 December 2014 by ordinary post at their own risk.

### Taxation

All Qualifying Shareholders are recommended to consult their independent professional advisers if they are in any doubt as to the taxation implications of applying for, holding, disposing of or dealing in the Offer Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the application for, holding, disposal of, or dealing in the Offer Shares.

### THE UNDERWRITING ARRANGEMENT

Date : 19 September 2014

Issuer : The Company

Underwriter : Guotai Junan

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties

Number of Underwritten Shares : All Offer Shares less such number of Offer Shares which the Undertaking Shareholders are entitled and undertake to take up pursuant to the Underwriting Agreement, being 1,030,911,492 Offer Shares

Commission : 1.0% of the aggregate subscription price in respect of the number of Underwritten Shares as determined on the Record Date underwritten by the Underwriter

The commission was determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Company, the size of the Open Offer, and the current and expected market conditions. The Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement including the commission rate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Offer Shares, other than the Offer Shares to which the Undertaking Shareholders are entitled and undertake to take up pursuant to the Underwriting Agreement, will be fully underwritten by the Underwriter. Upon completion of the Open Offer in accordance with the terms of the Underwriting Agreement, the public float requirements under the Listing Rules will be complied with.

### **Shareholders Undertakings**

As at the date of the Underwriting Agreement, (i) Mr. Tse, an executive Director, was interested in 7,412,000 Old Shares, representing approximately 0.60% of the then issued share capital of the Company; and (ii) Walifax Investments, a company incorporated in the BVI with limited liability and wholly-owned by Mr. Tse, was interested in 542,633,994 Old Shares, representing approximately 43.86% of the then issued share capital of the Company.

Each of the Undertaking Shareholders has severally and irrevocably undertaken to the Company that (i) all Shares directly owned by him/it will remain registered in their respective names from the date of the Underwriting Agreement and up to the Record Date and (ii) he/it will subscribe for or procure the subscription of 11,118,000 Offer Shares and 813,950,991 Offer Shares that will be allotted to them respectively as the holder of such New Shares under the Open Offer.

Each of the Undertaking Shareholders has further undertaken to the Company that he/it will not apply for any excess Offer Shares.

### **Termination of the Underwriting Agreement**

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination, any of the following happens:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties was (when originally given or when repeated in accordance with the provisions of the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is material in the context of the Open Offer;
- (b) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
- (ii) any occurrence of local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis

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## LETTER FROM THE BOARD

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with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

- (iii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout;
- (iv) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing;
- (v) any change of an exceptional nature in local, national or international equity securities or currency markets;
- (vi) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or circular relating to the Capital Reorganisation, the Open Offer or the Prospectus Documents or other announcement or circular relating in connection with the Capital Reorganisation and Open Offer;
- (vii) any material disruption in securities settlement, payment or clearance services in Hong Kong authorities;
- (viii) any moratorium on commercial banking activities having been declared by Hong Kong authorities;
- (ix) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which event or events, in the reasonable opinion of the Underwriter, is or are:

- (1) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
- (2) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer.

If the Underwriter exercises such right, the Open Offer will not proceed.

Upon giving any of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party shall have any claim against any party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except in respect of any antecedent breach of the



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Underwriting Agreement, provided however that the Company shall remain liable to pay all reasonable costs, charges and expenses which may have been properly incurred by the Underwriter in connection with the Open Offer.

### Conditions of the Open Offer

The Open Offer is conditional upon the following conditions having been fulfilled:

- (a) the passing of necessary resolutions on a vote taken by way of poll at the SGM to approve (i) the Capital Reorganisation by the Shareholders; and (ii) the Open Offer by the Independent Shareholders;
- (b) the Capital Reorganisation becoming effective;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in all the New Shares;
- (d) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Issue Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the Prospectus Issue Date;
- (f) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Issue Date;
- (g) the Underwriting Agreement becoming unconditional and not being terminated;
- (h) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (i) compliance with and performance of all the undertakings and obligations of Mr. Tse under the terms of the Underwriting Agreement; and
- (j) compliance with and performance of all the undertakings and obligations of Walifax Investments under the terms of the Underwriting Agreement.

None of the conditions above can be waived. In the event of the above conditions not being fulfilled on or before the Latest Time for Termination (or such later date or dates as the Company and the Underwriter may agree), the Underwriting Agreement shall terminate, in which case the Open Offer will not proceed and no party shall have any

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## LETTER FROM THE BOARD

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claim against any other party (save for any antecedent breaches), save that all such reasonable expenses as may have been properly incurred by the Underwriter in connection with the Open Offer shall be borne by the Company.

Each of the Company and the Underwriter agrees to use its best endeavours to procure fulfillment of all the said conditions on or before each of the said respective dates.

As at the Latest Practicable Date, conditions (a), (b) and (c) above have been fulfilled.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES**

The Open Offer is conditional upon the Underwriting Agreement having become unconditional and not having been terminated (see the section headed “Termination of the Underwriting Agreement” above). Accordingly, the Open Offer may or may not proceed. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, if they are in any doubt about their positions, they should consult their own professional advisers.

**Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 19 November 2014 and that dealings in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealings in the Shares up to the date on which all conditions to which the Open Offer are subject are fulfilled (which is expected to be at 4:00 p.m. on Tuesday, 16 December 2014), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

### **REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS**

The Group is principally engaged in the design, retailing and distribution of the Group’s brand products and the concurrent design manufacturing (CDM) of fashion accessories. After completion of the Disposal Agreement, the manufacturing process under CDM business will be outsourced to independent contract manufacturer. Please refer to the paragraph headed “Business Trend and Financial and Trading Prospects” in the section headed “Appendix I — Financial Information of the Group” for further details of the business trend of the Group.

Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares or other convertible securities, and taking into account the benefits and cost of each of the alternatives, the Directors are of the view that the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates and to enlarge the capital base of the Company, which may facilitate long-term development of the Group. 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

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resulting from the 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 has also considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be incurred by the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil-paid rights shares, the Company considers that the Open Offer is more time saving and cost effective and a better option. If the Company is to carry out a rights issue instead of the Open Offer, it is estimated that additional time would be involved by the Company for arranging the nil-paid rights trading, reviewing relevant documents, liaison with the parties involved such as the Registrar, the Underwriter, financial printer and other professional advisers. If the Company is to carry out a rights issue instead of the Open Offer, it is estimated that additional costs and expenses of around HK\$300,000 would be incurred, and additional one to two week's time would be required for the preparation and administration of a rights issue and for allowing a reasonable time for Shareholders to consider and to handle the splitting and trading of the rights.

The Company is of the view that it is in the interest of the Company and the Shareholders as a whole to raise the capital through the Open Offer since it offers the Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company as well as an opportunity to apply for additional Shares (if they so wish) by way of application for excess Offer Shares, and continue to participate in the future growth and development of the Group should they wish to do so.

In view of the above, the Directors (including the independent non-executive Directors) consider the Open Offer is in the interests of the Company and the Shareholders as a whole.

The estimated gross proceeds of the Open Offer (before expenses) are approximately HK\$185.6 million. The estimated net proceeds of the Open Offer (after deducting the costs and expenses in relation to the Open Offer including the underwriting commissions) are expected to be approximately HK\$183.0 million and the net price per Offer Share is expected to be approximately HK\$0.099.

The Company intends to apply such net proceeds from the 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

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amount due to the controlling shareholder of the Company, which is interest-free, unsecured and repayable on demand; and (v) the remaining net proceeds of approximately HK\$66 million will be for the general working capital of the Group.

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 result in higher efficiency, flexibility, accuracy and timeliness 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.

Other than the short-term loan of approximately HK\$19 million due to the financial institution and the amount of approximately HK\$13 million due to the controlling shareholder of the Company as mentioned above, the Group had no other outstanding short term loans as at the Latest Practicable Date.

According to the announcements of the Company dated 9 October 2014 and 14 October 2014 respectively, the Company has entered into agreements in relation to the disposal of the entire issued share capital of TCK and the disposal of certain properties of the Company, with aggregate proceeds from the disposals of about HK\$59.3 million. The Company has specific plan for the use of such proceeds from the disposals, including (i) approximately HK\$10 million for traditional offline marketing and advertising in order to facilitate the expansion of the retailing business of the Group; (ii) approximately HK\$3 million for professional training for salespersons to improve the service quality and royalty of the staff; (iii) approximately HK\$40 million for acquiring a new office premises for the Group; and (iv) approximately HK\$6.3 million for general working capital of the Group. For further details, please refer to the paragraph headed "Business trend and financial and trading prospects — Additional proceeds from the Recent Disposals" in Appendix I to this Prospectus. As the proceeds of the aforesaid recent disposals have specific planned use, the Directors consider that there is genuine funding need by the Company to conduct the Open Offer.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this Prospectus.

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer:

| Shareholders  | As at the Latest Practicable Date |               | Immediately after completion of the Open Offer (assuming all Offer Shares are taken up by the Qualifying Shareholders) |               | Immediately after completion of the Open Offer (assuming all Offer Shares are taken up by the Qualifying Shareholders other than the Undertaking Shareholders) (Note 2) |               |
|---|-----------------------------------|---------------|--|---------------|---|---------------|
|   | Number of Shares                  | Approximate % | Number of Shares   | Approximate % | Number of Shares  | Approximate % |
|   |                                   |               |  |               |   |               |
| <b>Directors</b>  |                                   |               |  |               |   |               |
| Tse Hoi Chau and Walifax Investments (Note 1)   | 275,022,997                       | 44.45         | 1,100,091,988  | 44.45         | 1,100,091,988   | 44.45         |
| The Underwriter and its sub underwriter(s) and subscriber(s) procured by the Underwriter (if any) | —                                 | —             | —  | —             | 1,030,911,492   | 41.66         |
| Public Shareholders (Note 3)  | 343,637,164                       | 55.55         | 1,374,548,656  | 55.55         | 343,637,164   | 13.89         |
| Total   | <u>618,660,161</u>                | <u>100</u>    | <u>2,474,640,644</u>   | <u>100</u>    | <u>2,474,640,644</u>  | <u>100</u>    |

Notes:

- As at the Latest Practicable Date, Walifax Investments, company incorporated in the BVI, is beneficially wholly-owned and controlled by Mr. Tse, the Chairman and the executive Director, held 271,316,997 New Shares. As at the Latest Practicable Date, Mr. Tse had personal interests in 3,706,000 New Shares and Share Options entitling him to subscribe for 6,000,000 New Shares under the Share Option Scheme. Mr. Tse has undertaken to the Company that he will not exercise such Share Options from the date of the Underwriting Agreement and up to the completion of the Open Offer.

Mr. Lin Shao Hua, the executive Director, was also granted Share Options by the Company entitling him to subscribe for 6,000,000 New Shares under the Share Option Scheme. Mr. Lin Shao Hua has also undertaken to the Company that he will not exercise such Share Options from the date of the Underwriting Agreement and up to the completion of the Open Offer.

- This scenario is for illustration purpose only. Pursuant to the Underwriting Agreement, the Underwriter shall use its reasonable endeavors to ensure that the subscribers of the Underwritten Shares shall be independent of and not connected with any of the directors, chief executive, or substantial shareholders of the Company and its subsidiaries and any of their respective associates and none of the subscribers procured by the Underwriter will become a substantial shareholder (as defined in the Listing Rules) of the Company.

Pursuant to the Underwriting Agreement, the Underwriter may appoint any other person(s) to be sub-agent(s) for the purposes of sub-underwriting the Underwritten Shares. Pursuant to the Underwriting Agreement, the Underwriter undertakes with the Company that it shall use all best endeavours to ensure that (i) each of the subscribers or purchasers of the untaken shares procured

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## LETTER FROM THE BOARD

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by it or by the sub-underwriters shall be a third party independent of, not acting in concert with and not connected with, the Company, any of the Directors, chief executive of the Company or substantial Shareholders or their respective associates or parties acting in concert with them; and (ii) the public float requirements under Rule 8.08(1)(a) of the Listing Rules be fulfilled by the Company upon completion of the Open Offer. In the event of a lack of purchasers of the untaken shares, the Underwriter may need to take up certain Underwritten Shares where necessary. However, the Underwriter does not expect to become a substantial shareholder of the Company. In connection with the Open Offer, the Underwriter entered into two subscription agreements with two Independent Third Parties, namely, Prestige Rich Holdings Limited and Jumbo Harbour Group Limited (the "Subscribers"). To the best knowledge of the Directors after making reasonable enquiries, each of the Subscribers is a professional investor. Pursuant to such subscription agreements, the Underwriter may at its absolute discretion call upon the Subscribers to take up such number of Underwritten Shares as it may specify in writing at its absolute discretion (subject to a maximum number of Underwritten Shares as specified in the relevant subscription agreements). Depending on the results of the Open Offer and provided that the Company can fulfill the public float requirements under Rule 8.08(1)(a) of the Listing Rules, it is possible for each of the Subscribers to become a substantial shareholder of the Company after completion of the Open Offer. The Company will make further announcement regarding the results of the Open Offer and the updated shareholding structure of the Company as and when appropriate.

3. All the Optionholders have undertaken to the Company that they will not exercise such Share Options from the date of the Underwriting Agreement and up to the completion of the Open Offer.

### ADJUSTMENT TO THE SHARE OPTIONS

As at the Latest Practicable Date, there were outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 54,000,000 New Shares. All the Optionholders have undertaken to the Company that they will not exercise such Share Options from the date of the Underwriting Agreement and up to the completion of the Open Offer.

Subject to the confirmation of the auditors of the Company or (as the case may be) an independent financial advisers, the Open Offer, if it becomes unconditional, may cause adjustments to the subscription price and/or the number of the New Shares to be issued upon the exercise of the subscription rights of the outstanding Share Options pursuant to the terms of the Share Option Scheme. Adjustments to certain terms of the outstanding Share Options shall be made pursuant to the Share Option Scheme and in compliance with Rule 17.03(13) of the Listing Rules and the supplemental guidance issued by the Stock Exchange in September 2005. The Company will inform the Optionholders of the relevant adjustment(s), and make appropriate announcement on the Stock Exchange as and when appropriate.

### GENERAL

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Director), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions relating to the Open Offer. As at the date of SGM, Mr. Tse and Walifax Investments, being the controlling shareholders of the

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## LETTER FROM THE BOARD

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Company, were interested in 7,412,000 Old Shares and 542,633,994 Old Shares respectively, and therefore they abstained from voting on the resolution relating to the Open Offer at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this Prospectus.

Yours faithfully,  
For and on behalf of the Board  
**Artini China Co. Ltd.**  
**Tse Hoi Chau**  
*Chairman*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 31 March 2012, 2013 and 2014 are disclosed on pages 48 to 120 of annual report 2012, pages 50 to 112 of annual report 2013 and pages 47 to 112 of annual report 2014 of the Company respectively.

The said annual reports of the Company are available on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.artini-china.com](http://www.artini-china.com)).

## 2. 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.

## 3. INDEBTEDNESS

### Borrowings

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, 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\$6,842,000 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 31 October 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 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group did not have any contingent liabilities or guarantees.

#### **4. WORKING CAPITAL**

The Directors are of the opinion that after taking into account: (i) the estimated funds to be raised from the Open Offer; (ii) the existing financial resources available to the Group and the Group's expected internally generated funds; (iii) no request of the early repayment of the unsecured loan of HK\$13,000,000 granted and confirmed by Mr. Tse in writing; and (iv) 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 Prospectus.

#### **5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS**

##### **Overall Performance in the Year ended 31 March 2014**

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.

### **Accessories Business Line**

For the year ended 31 March 2014, the "ARTINI" brand underwent certain packaging upgrade and brand restructuring, and re-positioned itself as a light luxurious trendy jewelry and clubhouse brand. The upgraded "ARTINI" brand employs more advanced and diversified materials and supplies. The overall design of "ARTINI" accessories, which comprises different sorts of environment-friendly alloys, silver, K gold, semiprecious stones and diamonds with more sophisticated and refined craftwork adopted, seeks to enhance the overall intrinsic value of the brand. In the first half of 2014, the Company grand opened its first new store under the upgraded "ARTINI" brand image in Guiyang city of Guizhou province in the PRC. It is the Group's plan that certain highlighted well performing retail stores of the Group will be revamped to bring them up to the upgraded "ARTINI" brand image, while certain underperforming retail stores will be closed strategically in order to redeploy internal resources, streamline personnel structure and reduce expenditures, thereby lowering the Group's operating costs.

In future, the Group will concentrate its resources on its operations in Guangzhou, Shenzhen in the PRC and Hong Kong, strengthen channel expansion and initiate a new business model. The new business model will operate on an online-to-offline (O2O) model, which involves activating an e-commerce platform and closely integrating online and offline businesses. The O2O model provides information, services, and push the messages to Internet users, who in return will be converted into the customers of the offline business. The presence of the physical stores will continue to serve to provide customers with the pleasure of shopping and to promote the convenience of online sales. Through consistently adopting the customer relationship management plan and taking advantage of the popular social networking app "WeChat", the new mode of communication, the Group manages to increase its connection and interaction with customers, thus attracting more customers to apply for membership and further enhancing their loyalty.

Looking ahead, the management will devote more efforts to achieve multi-channel development and apply various business models for both retail and CDM businesses.

The Group is committed to bring the upgraded “ARTINI” brand to a more high end and fashionable image by producing more refined quality fashionable accessories and to establish a unique tasteful “ARTINI Lifestyle” for Chinese ladies. A clubhouse concept “ARTINI TIME” will be launched to provide customers with a trendy platform which combines shopping, leisure and lifestyle. The Group will activate the full operation of e-commerce business model. The Group will employ multi-dimensional airborne to surface means to promote and market its products. Looking ahead, the operating environment of the Group is expected to remain challenging. Nevertheless, the Company is optimistic about the prospects of the long-term development of the PRC and the global economy, and is confident of the continued growth of the Group’s operation and business over the medium to long term.

### **Restructuring of CDM business**

The Group had operated a vertically-integrated business model encompassing (i) sales of merchandises and (ii) design and manufacture of fashion accessories. Under the CDM business, the Group have been engaged in the design, procurement of raw materials, manufacture of products for internationally renowned brands according to their specified designs, as well as coordinating the export and distribution of these products. Such internationally renowned brands include Marks & Spencer, Disney, Vivienne Westwood, HSE24, Nautica, Guess, Debenhams and Tchibo.

As disclosed in the 2014 annual report of the Company, the Group maintained its approach of income expansion and cost saving by means of reducing unnecessary expenditures and costs, and restructuring CDM business to consolidate and enhance its core capabilities and competitiveness. In view of reallocating resources to expand the existing accessories retailing business and retailing business for other types of products with higher growth potential, on 9 October 2014, the Disposal Agreement was entered into between Artist Star International Development Limited, a wholly-owned subsidiary of the Company, as vendor and Celestial Elite Investments Limited, a company wholly-owned by Mr. Tse, as purchaser in relation to the disposal of the entire issued share capital of TCK. TCK is an investment holding company which owns the entire equity interest of the WOFE, the manufacturing subsidiary of the Group. Upon the completion of the Disposal Agreement, the Group will continue to carry out CDM business while it will outsource the manufacturing process to independent contract manufacturers with more competitive price.

### **New Business Line**

As disclosed in the circular of the Company dated 24 October 2014, 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 proposed disposal of the manufacturing operations of the Group 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.

#### **Additional Proceeds from the Recent Disposals**

As mentioned in the announcement of the Company dated 9 October 2014 and the circular of the Company dated 30 October 2014, the Disposal Agreement was entered into between Artist Star International Development Limited as vendor and Celestial Elite Investments Limited as purchaser in relation to the disposal of the entire issued share capital of TCK at a consideration of HK\$16,257,000. The net proceeds of approximately HK\$15,257,000 (after deducting all relevant fees and expenses) will be used for 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. Please refer to the announcement of the Company dated 9 October 2014 and the circular of the Company dated 30 October 2014 for further details of such disposal.

In addition, as mentioned in the announcement of the Company dated 14 October 2014, the Provisional Agreement I, the Provisional Agreement II and the Provisional Agreement III were entered into among three wholly-owned subsidiaries of the Group and independent third parties respectively 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 disposals 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. Please refer to the announcement of the Company dated 14 October 2014 for further details of such disposals.

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

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “Unaudited Pro Forma Financial Information”) has been prepared by the directors of the Company in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) to illustrate the effect of the Open Offer on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2014 as if the Open Offer had taken place on 31 March 2014.

The Unaudited Pro Forma Financial Information is prepared based on the audited net assets of the Group attributable to owners of the Company as at 31 March 2014, as extracted from the published audited consolidated financial statements of the Company for the year ended 31 March 2014 and is adjusted for the effect of the Open Offer.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer.

| Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2014<br><i>(Note 1)</i><br><i>HK\$'000</i> | Estimated net proceeds from the Open Offer<br><i>(Note 2)</i><br><i>HK\$'000</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Open Offer<br><i>HK\$'000</i> | Audited consolidated net tangible assets attributable to owners of the Company (before the completion of the Capital Reorganisation and Open Offer) per Old Share<br><i>(Note 3)</i><br><i>HK\$'000</i> | Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as adjusted for the Open Offer per New Share<br><i>(Note 4)</i><br><i>HK\$</i> |
|---|--|--|---|--|
| Based on 1,855,980,483 Offer Shares to be issued at Subscription Price of HK\$0.10 per Offer Share  | 59,403   | 183,000  | 0.048   | 0.098  |

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2014 was approximately HK\$59,403,000 as disclosed in the published audited consolidated financial statements of the Company for the year ended 31 March 2014.
2. The Open Offer is conditional upon, among other things, the Capital Reorganisation which will involve:
  - (i) the proposed Share Consolidation whereby every two Old Shares of 1,237,320,323 Old Shares with nominal value of HK\$0.10 each in the issued and unissued share capital of the Company will be consolidated into one Consolidated Share of nominal value of HK\$0.20;

- (ii) the proposed capital reduction whereby the issued share capital of the Company will be reduced by the cancellation of (a) the paid-up capital of the Company to the extent of HK\$0.19 on each Consolidated Share such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01, and (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation (the “Capital Reduction”);
- (iii) immediately following the Share Consolidation and the Capital Reduction, the proposed share subdivision whereby each authorised but unissued Consolidated Share of nominal value of HK\$0.20 each (including all those arising from the Capital Reduction) will be sub-divided into twenty New Shares of HK\$0.01 each (the “Share Subdivision”); and
- (iv) the proposed elimination of accumulated losses whereby the credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company, and the whole sum of which will be applied to set off against part of the accumulated losses of the Company. (the “Elimination of Accumulated Losses”).

Conditional upon the Capital Reorganisation becoming effective, the Company proposes to issue 1,855,980,483 Offer Shares at the subscription price of HK\$0.10 per Offer Share on the basis of three Offer Shares for every one New Share held on the Record Date and payable in full upon application.

In the event that the approval of the Capital Reorganisation cannot be obtained by the Company from the shareholders, the Open Offer will lapse.

The estimated net proceeds from the Open Offer of approximately HK\$183,000,000 is calculated based on 1,855,980,483 Offer Shares (the Company had 1,237,320,323 Old Shares in issue on the Latest Practicable Date) on the basis of three Offer Shares for every one New Share held on the Latest Practicable Date at the Subscription Price of HK\$0.10 per Offer Share, after deduction of the estimated related expenses of approximately HK\$2,598,000.

3. The audited consolidated net tangible assets attributable to owners of the Company (before the completion of Capital Reorganisation and Open Offer) per Old Share is calculated based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2014 of approximately HK\$59,403,000 and the 1,237,320,323 Old Shares as at 31 March 2014 (before the completion of the Capital Reorganisation and the Open Offer).
4. The unaudited pro forma adjusted consolidated net tangible assets per New Share of the Company after the completion of the Open Offer is calculated based on 2,474,640,644 New Shares which represents the existing 618,660,161 New Shares in issue as at 31 March 2014 (after the completion of the Capital Reorganisation) and 1,855,980,483 Offer Shares assumed to be issued on the completion of the Open Offer as if the Open Offer had been completed on 31 March 2014.
5. As at 23 September 2014, there are Share Options outstanding entitling the holders thereof to subscribe for an aggregate of 108,000,000 Old Shares. It is assumed that all the Optionholders will not exercise such Share Options from 19 September 2014 and up to the completion of the Open Offer.
6. No adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2014, in particular, (i) the proposed major and connected transaction in relating to the disposal of the entire issued share capital of TCK Company Limited which was announced by the Company on 9 October 2014; and (ii) the disposals of certain properties of the Company under the Provisional Agreement I, Provisional Agreement II and Provisional Agreement III which were announced by the Company on 14 October 2014.

**(B) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the Company's reporting accountants, ZHONGLEI (HK) CPA Company Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this Prospectus.*

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF ARTINI CHINA CO., LTD**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Artini China Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2014 and related notes as set out on pages 35 and 36 of the prospectus issued by the Company dated 27 November 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 35 and 36 of the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed open offer of 1,855,980,483 offer shares with par value of HK\$0.01 each at the subscription price of HK\$0.10 per offer share on the basis of three offer shares for every one new share held on the record date (the "Open Offer") on the Group's financial position at 31 March 2014 as if the Open Offer had taken place at 31 March 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 March 2014, on which an audited report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.



The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**ZHONGLEI (HK) CPA Company Limited**

*Certified Public Accountants (Practising)*

**Li Man Choi**

**Practising Certificate Number: P03333**

Suites 313–316, 3/F., Shui On Centre,  
6–8 Harbour Road,  
Wan Chai,  
Hong Kong

27 November 2014

**1. RESPONSIBILITY STATEMENT**

This Prospectus, 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 Prospectus 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 Prospectus misleading.

**2. SHARE CAPITAL****(a) Share capital**

The authorised and issued capital of the Company as at the Latest Practicable Date was as follow:

|                             |   |                       |
|-----------------------------|---|-----------------------|
| Authorised:                 |   | <i>HK\$</i>           |
| <u>3,000,000,000</u> Shares |   | <u>300,000,000.00</u> |
| Fully paid Shares in issue: |   | <i>HK\$</i>           |
|                             | New Shares in issue at the Latest<br>Practicable Date |                       |
| <u>618,660,161</u>          |   | <u>6,186,601.61</u>   |

The authorised and issued capital of the Company immediately following completion of the Open Offer:

|   |   |                       |
|---|---|-----------------------|
| Authorised:                                     |   | <i>HK\$</i>           |
| <u>30,000,000,000</u> New Shares                |   | <u>300,000,000.00</u> |
| Fully paid New Shares in issue or to be issued: |   | <i>HK\$</i>           |
|   | New Shares in issue as at the Latest<br>Practicable Date    |                       |
| 618,660,161                                     |   | 6,186,601.61          |
| <u>1,855,980,483</u>                            | Offer Shares to be issued pursuant<br>to the Open Offer     | <u>18,559,804.83</u>  |
| <u>2,474,640,644</u>                            | New Shares in issue immediately following<br>the Open Offer | <u>24,746,406.44</u>  |

All of the New Shares, when allotted and issued, shall rank *pari passu* in all respects with each other, including in particular as to dividends, voting rights and capital.

The Offer Shares will, when allotted, issued and fully-paid, rank *pari passu* in all respects with the then existing New Shares in issue including the right to receive all future dividends and distributions which are declared, made or paid on or after the date of issue and allotment of the fully-paid Offer Shares.

The Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

**(b) Share Option Scheme**

The Company has adopted the Share Option Scheme on 23 April 2008. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing value of the Company and the shares for the benefit of the Company and the Shareholders as a whole. Participants under the Share Option Scheme included Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group.

As at the Latest Practicable Date, there were outstanding Share Options conferring rights on the Optionholders to subscribe for up to 54,000,000 New Shares which are vested and exercisable at HK\$0.5236 per New Share (subject to adjustment, if any) during an exercise period from 28 March 2014 to 27 March 2019.

### 3. DISCLOSURE OF INTERESTS

#### (a) Disclosure of Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which 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 or short positions which any such Director or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register maintained by the Company, pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

| Name of Directors | Long position/<br>Short position | Capacity   | Number of<br>issued ordinary<br>shares held/<br>involved | Approximate<br>percentage |
|-------------------|----------------------------------|--|--|---------------------------|
| Mr. Tse           | Long Position                    | Beneficial Owner<br>and Interested in<br>controlled<br>corporation | 1,106,091,988<br>(Note 1)                                | 44.69%<br>(Note 2)        |
| Mr. Lin Shao Hua  | Long Position                    | Beneficial Owner   | 6,000,000<br>(Note 3)                                    | 0.97%<br>(Note 4)         |

*Notes:*

- As at the Latest Practicable Date, Mr. Tse was interested in 271,316,997 New Shares held by Walifax Investments, which is wholly and beneficially owned by Mr. Tse, and had personal interests in 3,706,000 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 Open Offer, Mr. Tse therefore will be interested in 1,100,091,988 Shares upon the completion of the Open Offer. Together with the outstanding Share Options (which he has undertaken not to exercise from the date of the Underwriting Agreement and up to the completion of the Open Offer) entitling him to subscribe for 6,000,000 New Shares, Mr. Tse is interested in 1,106,091,988 Shares.
- 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 Open Offer.
- Mr. Lin Shao Hua, the executive Director, was also granted Share Options by the Company entitling him to subscribe for 6,000,000 New Shares under the Share Option Scheme. Mr. Lin Shao Hua has also undertaken to the Company that he will not exercise such Share Options from the date of the Underwriting Agreement and up to the completion of the Open Offer.
- 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 at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Disclosure of Interests of Substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to the Directors, the persons or entities who had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

| Name of shareholder  | Capacity                             | Number of issued ordinary shares held/involved | Approximate percentage      |
|--|--------------------------------------|--|-----------------------------|
| Walifax Investments ( <i>Note 1</i> )                            | Beneficial owner                     | 1,085,267,988                                  | 43.86%<br>( <i>Note 3</i> ) |
| Shanghai International Group Co., Ltd.                           | Beneficial owner                     | 1,030,911,492                                  | 41.66%<br>( <i>Note 3</i> ) |
| Guotai Junan Securities Co., Ltd.<br>( <i>Note 2</i> )           | Interested in controlled corporation | 1,030,911,492                                  | 41.66%<br>( <i>Note 3</i> ) |
| Guotai Junan Financial Holdings Limited<br>( <i>Note 2</i> )     | Interested in controlled corporation | 1,030,911,492                                  | 41.66%<br>( <i>Note 3</i> ) |
| Guotai Junan Holdings Limited<br>( <i>Note 2</i> )               | Interested in controlled corporation | 1,030,911,492                                  | 41.66%<br>( <i>Note 3</i> ) |
| Guotai Junan International Holdings Limited<br>( <i>Note 2</i> ) | Interested in controlled corporation | 1,030,911,492                                  | 41.66%<br>( <i>Note 3</i> ) |
| Guotai Junan (Hong Kong) Limited<br>( <i>Note 2</i> )            | Interested in controlled corporation | 1,030,911,492                                  | 41.66%<br>( <i>Note 3</i> ) |
| Guotai Junan Securities (Hong Kong) Limited<br>( <i>Note 2</i> ) | Interested in controlled corporation | 1,030,911,492                                  | 41.66%<br>( <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.
3. The percentage of shareholding in the Company is calculated with reference to the number of Shares to be issue immediately after completion of the Open Offer assuming no issues or repurchases of new Shares on or before the Record Date.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company, or of any other member of the Group, or in any options in respect of such share capital.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### **5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, save for the Underwriting Agreement and the Disposal Agreement in which Mr. Tse has material interest, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

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

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained in this Prospectus:

| <b>Name</b>                       | <b>Qualification</b>         |
|-----------------------------------|------------------------------|
| ZHONGLEI (HK) CPA Company Limited | Certified Public Accountants |

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, the above experts:

- (a) was not beneficially interested in the share capital of any member of the Group;
- (b) did not have any direct or indirect 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 any securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which have been since 31 March 2014 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

## 8. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.6 million, which are payable by the Company.

**9. MATERIAL CONTRACT**

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 immediately preceding the Latest Practicable Date:

- (i) the Underwriting Agreement at an underwriting commission of approximately HK\$1,031,000, being 1.0% of the aggregate subscription price assuming 1,030,911,429 Offer Shares are being underwritten;
- (ii) the Disposal Agreement for a cash consideration of HK\$16,257,000, the details of which are set out in the circular of the Company dated 30 October 2014;
- (iii) the Provisional Agreement I for a consideration of HK\$20,000,000, the details of which are set out in the announcement of the Company dated 14 October 2014;
- (iv) the Provisional Agreement II for a consideration of HK\$20,000,000, the details of which are set out in the announcement of the Company dated 14 October 2014;
- (v) the Provisional Agreement III for a consideration of HK\$4,000,000, the details of which are set out in the announcement of the Company dated 14 October 2014;
- (vi) the formal agreement for sale and purchase dated 28 October 2014 and 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;
- (vii) the formal agreement for sale and purchase dated 28 October 2014 and entered into among Gain Trade Enterprise Limited, a wholly-owned subsidiary of the Company as vendor, and a purchaser, 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; and
- (viii) the formal agreement for sale and purchase dated 28 October 2014 and entered into among Artini Sales Company 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.



**10. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED  
IN THE OPEN OFFER****Board of Directors****Executive Directors**

Mr. Tse Hoi Chau  
Flat B1, 1st Floor  
Kaiser Estate, Phase 1  
41 Man Yue Street  
Hung Hom  
Hong Kong

Mr. Lin Shao Hua  
Flat B1, 1st Floor  
Kaiser Estate, Phase 1  
41 Man Yue Street  
Hung Hom  
Hong Kong

**Independent non-executive Directors**

Mr. Lau Fai Lawrence  
Flat B1, 1st Floor  
Kaiser Estate, Phase 1  
41 Man Yue Street  
Hung Hom  
Hong Kong

Mr. Lau Yiu Kit  
Flat B1, 1st Floor  
Kaiser Estate, Phase 1  
41 Man Yue Street  
Hung Hom  
Hong Kong

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

**Senior Management**

Ms. Ho Wing Yan  
Flat B1, 1st Floor  
Kaiser Estate, Phase 1  
41 Man Yue Street  
Hung Hom  
Hong Kong

|   |   |
|---|---|
| <b>Authorised representatives</b>                               | Mr. Tse Hoi Chau<br><br>Ms. Ho Wing Yan   |
| <b>Company secretary</b>  | Ms. Ho Wing Yan ( <i>ACIS, ACS(PE)</i> )  |
| <b>Registered office</b>  | <b>Clarendon House</b><br>2 Church Street<br>Hamilton HM 11<br>Bermuda  |
| <b>Principal place of business</b>                              | Flat B1, 1st Floor<br>Kaiser Estate, Phase 1<br>41 Man Yue Street<br>Hungghom<br>Hong Kong  |
| <b>Principal share registrar<br/>and transfer office</b>        | <b>MUFG Fund Services (Bermuda) Limited</b><br>The Belvedere Building<br>69 Pitts Bay Road<br>Pembroke Hm08   |
| <b>Hong Kong branch share registrar<br/>and transfer office</b> | <b>Union Registrars Limited</b><br>18/F, Fook Lee Commercial Centre<br>Town Place, 33 Lockhart Road<br>Wanchai, Hong Kong<br>(address to be changed to A18/F.,<br>Asia Orient Tower, Town Place, 33<br>Lockhart Road, Wanchai,<br>Hong Kong with effect from 1 December 2014) |
| <b>Principal bankers</b>  | <b>Hang Seng Bank</b><br>83 Des Voeux Road Central<br>Central<br>Hong Kong<br><br><b>The Hongkong and Shanghai Banking<br/>Corporation Limited</b><br>1 Queen's Road<br>Central<br>Hong Kong  |
| <b>Underwriter</b>  | <b>Guotai Junan Securities (Hong Kong) Limited</b><br>27th Floor, Low Block<br>Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong  |

|   |   |
|---|---|
| <b>Legal advisers as to the Open Offer</b>  | as to Hong Kong law<br><b>Minter Ellison</b><br>Level 25, One Pacific Place<br>88 Queensway<br>Hong Kong                        |
|   | as to Bermuda law<br><b>Conyers Dill &amp; Pearman</b><br>2901 One Exchange Square<br>8 Connaught Place<br>Central<br>Hong Kong |
| <b>Independent financial adviser to the Independent Board Committee established in relation to the Open Offer</b> | <b>Celestial Capital Limited</b><br>21/F, Low Block Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong             |
| <b>Auditor</b>  | <b>ZHONGLEI (HK) CPA Company Limited</b><br>Suites 313–316, 3/F<br>Shui On Centre<br>6–8 Harbour Road Wanchai<br>Hong Kong      |

## 11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

Mr. TSE Hoi Chau, aged 48, was appointed as the Chairman, an executive Director and a member of the remuneration committee and the nomination committee of the Company on 1 December 2010 and was further appointed as chief executive of the Company on 21 June 2013. He possesses more than 20 years' experience in the fashion ornament and jewelry wholesale industry. He also has experience in property investment, mineral exploration and mineral trade and sales. He is currently the executive chairman of the China Jewelry Association Fashion Ornament Chapter, a member of the Standing Committee of the People's Political Consultative Conference of Shanwei City, Guangdong Province, a committee member of the People's Political Consultative Conference of Liwan District, Guangzhou City, Guangdong Province, the deputy-chairman of the Gems & Jewelry Trade Association of China, the deputy-chairman of the Confederation of Chinese Commerce and Industry Gift-industry Chamber of Commerce, and the deputy-chairman of the Guangdong Chamber of Private Enterprise. Mr. Tse is the sole director and sole shareholder of Walifax Investments Limited which, as at the Latest Practicable Date, held 271,316,997 New Shares of the Company, representing approximately 43.86% of the issued share capital of the Company. Mr. Tse also owned 3,706,000 New Shares and Share Options granted to him by the Company on 28 March 2014 under the Share Option Scheme entitling him to subscribe for 6,000,000 New Shares, representing approximately 1.56% of the issued share capital of the Company. Mr. Tse is the brother-in-law of Mr. Lin Shao Hua, executive Director.

Mr. LIN Shao Hua, aged 55, was appointed as an executive Director on 28 June 2013. He has 23 years of experience in factory management and product development. He has worked at Artist Empire (Hai Feng) Jewellery Mfy. Limited, a wholly-owned subsidiary of the Company, as the general manager since 1991, responsible for the overall management and business development of Artist Empire (Hai Feng) Jewellery Mfy. Limited. He is currently a member of the Hai Feng County Committee of the Chinese People's Political Consultative Conference (海豐縣政協委員). Mr. Lin was an executive director of the Company from 17 July 2009 to 31 October 2011. Mr. Lin is the brother in-law of Mr. Tse, the chairman of the Company. Mr. Lin is interested in Share Options granted to him by the Company on 28 March 2014 under the Share Option Scheme entitling him to subscribe for 6,000,000 New Shares, representing approximately 0.97% of the issued share capital of the Company.

### Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 43, was appointed as independent non-executive Director on 23 April 2008. He is also the chairman of the audit committee and the nomination committee, and a member of the remuneration committee of the Company. Mr. Lau has extensive experience in accounting, corporate finance and auditing. He is a practising certified public accountant in Hong Kong and is currently the Company Secretary of BBMG Corporation which is listed on the main board of the Stock

Exchange. Before joining BBMG Corporation, he was the Group Financial Controller of Founder Holdings Limited and EC-Founder (Holdings) Company Limited, both of which are listed on the main board of the Stock Exchange. Mr. Lau has previously worked in Price Waterhouse Company Limited (now known as PricewaterhouseCoopers) as an accountant from 1994 to 1998. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountant in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from The University of Hong Kong with a bachelor's degree in Business Administration and obtained a Master of Corporate Finance degree from The Hong Kong Polytechnic University. Mr. Lau has also been an executive director of China Packaging Group Company Limited (Stock code: 572) since January 2014 and an independent non-executive director of Titan Petrochemicals Group Limited (Stock code: 1192) since March 2014, both of which are listed on the Stock Exchange.

Mr. LAU Yiu Kit, aged 55, was appointed as independent non-executive Director on 1 December 2010. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Lau is the sole proprietor and founder of Albert Y.K. Lau & Co., Certified Public Accountants. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong.

Mr. ZENG Zhaohui, aged 44, was appointed as independent non-executive Directors on 1 October 2014. He is also the chairman of remuneration committee, a member of the audit committee and nomination committee of the Company. He is a practicing lawyer in China, and has practiced for 20 years since 1994. He graduated from Zhongshan University. He worked at the People's Court of Shanwei City of China in 1991, qualified as a lawyer in 1992, and has practiced as a certified lawyer since 1994. Mr. Zeng was a member of the Committee of the People's Political Consultative Conference of Shanwei City, the Chief Member of the Real Estate Legal Profession Committee of the Guangdong Lawyers Association and a torchbearer of the 16th Asian Games of Guangzhou. He is currently the Chief Lawyer of Guangdong Right Word Law Firm.

### **Senior Management**

Ms. HO Wing Yan, aged 33, was appointed as Company Secretary on 3 December 2013. She has 10 years of experience in serving as company secretary of Hong Kong companies and providing company secretary services to companies listed on the Stock Exchange. 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.

Save as disclosed in this appendix, as at the Latest Practicable Date, none of the Directors nor the senior management of the Company (i) hold any directorships in other listed company in the last three years; (ii) have any other major appointments

and professional qualifications; (iii) hold any other position with the Company or other members of the Group; and (iv) have any relationship with any other Directors, senior management, substantial or controlling Shareholders.

## 12. MISCELLANEOUS

- (a) The Hong Kong branch share registrar and transfer office is Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road Wanchai, Hong Kong (address to be changed to A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong with effect from 1 December 2014).
- (b) Save as disclosed herein,
  - (i) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (ii) no founder shares, management shares or deferred shares or debentures of the Company or any of its subsidiaries have been issued or agreed to be issued.
- (c) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (d) All references to times and dates in this Prospectus refer to Hong Kong times and dates.
- (e) This Prospectus is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

## 13. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance.

## 14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “Expert and consent” in this appendix have been delivered to the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at Flat B1, 1st Floor, Kaiser Estate, Phase 1, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong during normal business hours on any business day from the date of this Prospectus up to and including the Latest Time for Acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2013 and 2014;
- (c) the independent reporting accountant's assurance report on the compilation of unaudited pro forma financial information of the Group issued by ZHONGLEI (HK) CPA Company Limited, the text of which is set out in appendix II to this Prospectus;
- (d) the consent letter issued by ZHONGLEI (HK) CPA Company Limited referred to in the paragraph headed "Expert and Consent" in this appendix;
- (e) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (f) the circular of the Company dated 30 October 2014; and
- (g) the Prospectus Documents.