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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)**

**CONNECTED TRANSACTIONS:**

**CAPITALISATION OF LOAN AND CAPITAL INJECTION IN QL**

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



## **THE DEED**

The Board is pleased to announce that, after the trading hours on 5 January 2011, QCL, an indirect wholly-owned subsidiary of the Company, entered into the Deed with Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to the Shareholder Loans in an aggregate amount of HK\$2,490,000, being its principal amount, as at the date of this announcement. Pursuant to the Deed, QL shall capitalise the Shareholder Loans by the allotment and issue of an aggregate of 2,490,000 QL Shares to the QL Shareholders according to their respective shareholdings in QL as at the date of capitalisation of the Shareholder Loans. Since the Shareholder Loans were proportionate to the QL Shareholders' respective equity interests in QL, the shareholding structure of QL will remain unchanged upon capitalisation of the Shareholder Loans.

## **THE SUPPLEMENTAL SHAREHOLDERS AGREEMENT**

After the trading hours on 5 January 2011, QCL also entered into the Supplemental Shareholders Agreement with Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to, amongst others, the Capital Injection of HK\$5,000,000 by QCL into QL in consideration of QL allotting 5,000,000 QL Shares to QCL. The Capital Injection will be contributed in the form of cash by QCL. Upon completion of the Capital Injection, QCL will be interested in approximately 73.4% of the equity interest in QL and QL will become an indirect non-wholly owned subsidiary of the Group. Accordingly, the financial results of QL will be consolidated into the financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

Mr. Lin is the son of Mr. Lin Shao Hua (being an executive Director) and the nephew of Mr. Tse Chiu Kwan (being the Chairman of the Company and an executive Director) and Ms. Yip Ying Kam (being a non-executive Director), and is interested in approximately 45.1% equity interest in QL as at the date of this announcement. Mr. Lin Shao Hua, Mr. Tse Chiu Kwan, Ms. Yip Ying Kam and their respective associates (including Mr. Lin) are connected persons of the Company and therefore the capitalisation of the Shareholder Loans and the Capital Injection constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since each of the aggregated applicable percentage ratios (as defined under the Listing Rules) in respect of the capitalisation of the Shareholder Loans and the Capital Injection is less than 5%, the capitalisation of the Shareholder Loans and the Capital Injection are only subject to the reporting and announcement requirements under the Listing Rules and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **Introduction**

The Board is pleased to announce that, after the trading hours on 5 January 2011, QCL, an indirect wholly-owned subsidiary of the Company, entered into the Deed with Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to the Shareholder Loans in an aggregate amount of HK\$2,490,000, being its principal amount, as at the date of this announcement. Pursuant to the Deed, QL shall capitalise the Shareholder Loans by the allotment and issue of an aggregate of 2,490,000 QL Shares to the QL Shareholders according to their respective shareholdings in QL as at the date of capitalisation of the Shareholder Loans. Since the Shareholder Loans were proportionate to the QL Shareholders' respective equity interests in QL, the shareholding structure of QL will remain unchanged upon capitalisation of the Shareholder Loans.

After the trading hours on 5 January 2011, QCL also entered into the Supplemental Shareholders Agreement with Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to, amongst others, the Capital Injection of HK\$5,000,000 by QCL into QL in consideration of QL allotting 5,000,000 QL Shares to QCL. The Capital Injection will be contributed in the form of cash by QCL. Upon completion of the Capital Injection, QCL will be interested in approximately 73.4% of the equity interest in QL and QL will become an indirect non-wholly owned subsidiary of the Group. Accordingly, the financial results of QL will be consolidated into the financial statements of the Group.

### **The Deed**

Date: 5 January 2011

Parties: QCL, Ms. Ng, Mr. Lam, Mr. Lin and QL

QCL is an indirect wholly-owned subsidiary of the Company and is an investment holding company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Ms. Ng, Mr. Lam and their respective associates (i) are Independent Third Parties; and (ii) not a party acting in concert (as defined under the Takeovers Code) with any substantial Shareholders (as defined under the Listing Rules).

Mr. Lin is the son of Mr. Lin Shao Hua (being an executive Director) and the nephew of Mr. Tse Chiu Kwan (being the Chairman of the Company and an executive Director) and Ms. Yip Ying Kam (being an executive Director).

QL is incorporated in Hong Kong with limited liability and is principally engaged in retail business of lingerie in the PRC, Hong Kong and Macau.

As at the date of this announcement, the equity interests in QL held by QCL, Ms. Ng, Mr. Lam and Mr. Lin are approximately 19.9%, 7.0%, 28.0% and 45.1% respectively.

#### *Subject Matter*

As at the date of this announcement, the Shareholder Loans is owed by QL as to (i) HK\$495,510 to QCL; (ii) HK\$174,300 to Ms. Ng; (iii) HK\$697,200 to Mr. Lam; and (iv) HK\$1,122,990 to Mr. Lin. Pursuant to the Deed, QL shall capitalise the Shareholder Loans by the allotment and issue of an aggregate of 2,490,000 QL Shares to the QL Shareholders according to their respective shareholdings in QL as at the date of capitalisation of the Shareholder Loans. Since the Shareholder Loans were proportionate to the QL Shareholders' respective equity interests in QL, the shareholding structure of QL will remain unchanged upon capitalisation of the Shareholder Loans.

#### *Condition precedent*

The capitalisation of the Shareholder Loans is conditional upon the completion of the Authorised Share Capital Increase.

#### *Completion*

The Shareholder Loans shall be settled on or before 31 January 2011 or such later date as may be agreed in writing by the QL Shareholders and QL.

The Directors (including the independent non-executive Directors) consider that the terms of the Deed are fair and reasonable so far as the Independent Shareholders and concerned and are in the interests of the Company and the Shareholders as a whole.

#### **The Supplemental Shareholders Agreement**

Date: 5 January 2011

Parties: QCL, Ms. Ng, Mr. Lam, Mr. Lin and QL

#### *Subject Matter*

Pursuant to the Supplemental Shareholders Agreement, QCL will make the Capital Injection of HK\$5,000,000 into QL in the form of cash in consideration of QL allotting 5,000,000 QL Shares to QCL, following the capitalisation of the Shareholder Loans. Upon completion of the Capital Injection, QCL will be interested in approximately 73.4% of the equity interest in QL and QL will become an indirect non-wholly owned subsidiary of the Group. Accordingly, the financial results of QL will be consolidated into the financial statements of the Group.

### *Condition precedent*

The Capital Injection is conditional upon the completion of the Authorised Share Capital Increase and the capitalisation of the Shareholder Loans.

The table below illustrates the shareholding structure of QL (i) as at the date of this announcement; (ii) upon completion of the capitalisation of the Shareholder Loans; and (iii) upon completion of the Capital Injection:

	<b>As at the date of this announcement</b>		<b>Upon completion of the capitalisation of the Shareholder Loans</b>		<b>Upon completion of the Capital Injection</b>	
	<i>Number of QL Shares</i>	<i>%</i>	<i>Number of QL Shares</i>	<i>%</i>	<i>Number of QL Shares</i>	<i>%</i>
QCL	1,990	19.9	497,500	19.9	5,497,500	73.4
Ms. Ng	700	7.0	175,000	7.0	175,000	2.3
Mr. Lam	2,800	28.0	700,000	28.0	700,000	9.3
Mr. Lin	<u>4,510</u>	<u>45.1</u>	<u>1,127,500</u>	<u>45.1</u>	<u>1,127,500</u>	<u>15.0</u>
Total	<u>10,000</u>	<u>100</u>	<u>2,500,000</u>	<u>100</u>	<u>7,500,000</u>	<u>100</u>

The Capital Injection of HK\$5,000,000 was determined by the management of QL with reference to the capital requirements for expansion of QL's retail business.

Given that (i) it is the intention of the Group to increase its equity interest in QL through the Capital Injection by QCL; and (ii) neither Ms. Ng, Mr. Lam nor Mr. Lin intend to make further investment in QL, the Capital Injection is solely made by QCL.

Given the above, the Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Shareholders Agreement (including the amount of the Capital Injection) are fair and reasonable so far as the Independent Shareholders and concerned and are in the interests of the Company and the Shareholders as a whole.

### **The Authorised Share Capital Increase**

In order to facilitate the capitalisation of the Shareholder Loans and the Capital Injection, the QL Shareholders passed a resolution to approve the increase in the authorised share capital of QL from HK\$10,000 divided into 10,000 QL Shares to HK\$10,000,000 divided into 10,000,000 QL Shares by the creation of an additional of 9,990,000 QL Shares.

## Information on QL

QL is incorporated in Hong Kong with limited liability and is principally engaged in retail business of lingerie in the PRC, Hong Kong and Macau.

Set out below is a summary of the unaudited financial information on QL for the seven months ended 31 October 2010 and the period from 30 September 2009 (being the date of incorporation of QL) to 31 March 2010 prepared in accordance with the relevant financial reporting standards:

	<b>For the seven months ended 31 October 2010 HK\$</b>	<b>For the period from 30 September 2009 (being the date of incorporation of QL) to 31 March 2010 HK\$</b>
<b>Consolidated Income Statement</b>		
Revenue	188,832	73,911
Net loss before taxation	(758,386)	(531,550)
Net loss after taxation	(758,386)	(531,550)
	<b>As at 31 October 2010 HK\$</b>	<b>As at 31 March 2010 HK\$</b>
<b>Consolidated Balance Sheet</b>		
Total assets	1,710,515	1,968,450
Total liabilities	(2,990,450)	(2,490,000)
Net liabilities	(1,279,935)	(521,550)

## REASONS FOR THE CAPITALISATION OF SHAREHOLDER LOANS AND THE CAPITAL INJECTION

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

Under the Group's business development strategy of "Multi-branding", "Q'ggle Lingerie" is the extended brand of "Q'ggle" in the market of young female lingerie. The Directors are optimistic on the business development of QL as well as the market of lingerie. Accordingly, the Group intends to increase its equity interest in QL through the Capital Injection by QCL.

Taken into account the above reasons for the capitalisation of the Shareholder Loans and the Capital Injection, the Directors (including the independent non-executive Directors) consider that the capitalisation of the Shareholder Loans and the Capital Injection are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATION

Mr. Lin is the son of Mr. Lin Shao Hua (being an executive Director) and the nephew of Mr. Tse Chiu Kwan (being the Chairman of the Company and an executive Director) and Ms. Yip Ying Kam (being a non-executive Director), and is interested in approximately 45.1% equity

interest in QL as at the date of this announcement. Mr. Lin Shao Hua, Mr. Tse Chiu Kwan, Ms. Yip Ying Kam and their respective associates (including Mr. Lin) are connected persons of the Company and therefore the capitalisation of the Shareholder Loans and the Capital Injection constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since each of the aggregated applicable percentage ratios (as defined under the Listing Rules) in respect of the capitalisation of the Shareholder Loans and the Capital Injection is less than 5%, the capitalisation of the Shareholder Loans and the Capital Injection are only subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Mr. Lin Shao Hua, Mr. Tse Chiu Kwan and Ms. Yip Ying Kam are deemed to be interested in the capitalisation of the Shareholder Loans and the Capital Injection, Mr. Lin Shao Hua, Mr. Tse Chiu Kwan and Ms. Yip Ying Kam were abstained from voting on the Board resolutions approving the capitalisation of the Shareholder Loans, the Capital Injection and the relevant transactions contemplated thereunder.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Authorised Share Capital Increase”	the increase of authorised share capital of QL from HK\$10,000 divided into 10,000 QL Shares to HK\$10,000,000 divided into 10,000,000 QL Shares by the creation of an additional of 9,990,000 QL Shares
“Board”	the board of Directors
“Capital Injection”	the capital injection of HK\$5,000,000 by QCL to QL in the form of cash
“Company”	Artini China Co. Ltd. (Stock code: 789), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Deed”	the deed of settlement dated 5 January 2011 entered into among QCL, Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to the capitalisation of the Shareholder Loans
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than Mr. Tse Chiu Kwan, Ms. Yip Ying Kam and Mr. Lin Shao Wah and their respective associates (including Mr. Lin if applicable)



“Independent Third Parties”	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lam”	Mr. Lam Ka Hang
“Mr. Lin”	Mr. Lin Lifeng
“Ms. Ng”	Ms. Ng Yuet Ching
“QCL”	Q’ggle Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“QL”	Q’ggle Lingerie Company Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company
“QL Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of QL
“QL Shareholders”	QCL, Ms. Ng, Mr. Lam and Mr. Lin
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shareholder Loans”	the respective interest-free shareholders’ loans owed by QL to each of the QL Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Shareholders Agreement”	the supplemental shareholders agreement dated 5 January 2011 entered into among QCL, Ms. Ng, Mr. Lam, Mr. Lin and QL in relation to, amongst others, the Capital Injection
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchases
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 5 January 2011

*As at the date of this announcement, the executive Directors are Mr. Tse Chiu Kwan, Mr. Lin Shao Hua and Mr. Lau Yau Chuen, Louis; the non-executive Director is Ms. Yip Ying Kam; and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Fan William Chung Yue and Mr. Lau Yiu Kit.*