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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

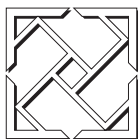
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**If you are in any doubt** as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Artfield Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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### **ARTFIELD GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

## **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF INTERESTS IN GERMAN TIME LIMITED AND SMART BEST DEVELOPMENT LIMITED**

**Independent financial adviser**



**BARON CAPITAL LIMITED**

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A letter from the Independent Board Committee, containing its advice in respect of the S&P Agreement to the Independent Shareholders is set out on page 10 of this circular.

A letter from Baron Capital Limited, the independent financial adviser, containing its advice in relation to the S&P Agreement to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 17 of this circular.

A notice convening a special general meeting of Artfield Group Limited to be held at 10:30 a.m. on 28th October, 2004 at Conference Room, Flats G & H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong is set out on pages 28 and 29 of this circular.

Whether or not you intend to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal office at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

2nd October, 2004

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
1. Introduction .....	3
2. The S&P Agreement	
Date .....	4
Parties .....	4
Assets to be disposed of .....	4
Consideration .....	5
Conditions .....	6
Use of proceeds .....	6
3. Information of the Company .....	6
4. Information of German Time .....	7
5. Information of Smart Best .....	7
6. Reason for and effect of the Disposal .....	7
7. Connection between the parties .....	7
8. Basis of negotiation of the terms and conditions of the S&P Agreement .....	7
9. SGM .....	8
10. Procedures for demanding a poll .....	8
11. Recommendation .....	9
12. Additional information .....	9
<b>Letter from the Independent Board Committee</b> .....	10
<b>Letter from Baron</b> .....	11
<b>Appendix I – Property Valuation</b> .....	18
<b>Appendix II – General information</b> .....	23
<b>Notice of SGM</b> .....	28

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules 14A.11(4)
“Baron”	Baron Capital Limited, a licensed corporation to perform Type 1 and Type 6 regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
“Board”	the board of Directors
“Company”	Artfield Group Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Completion”	completion of the S&P Agreement
“Completion Date”	means any date on or before the expiry of three calendar months after the S&P Agreement shall have become unconditional
“connected person”	has the meaning ascribed thereto in the Listing Rules 14A.11
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the entire interests in German Time and Smart Best held by the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property surveyor appointed by the Company for the purpose of preparing the independent property valuation regarding the Disposal
“German Time”	German Time Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Independent Board Committee”	an independent board committee of the Company comprising the independent non-executive Directors, Mr. Lo Ming Chi, Charles and Mr. Cheung Doi Shu (resigned with effect from 30th September 2004)
“Independent Shareholder(s)”	Shareholders, other than Ms. Li and her associates as defined in the Listing Rules

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## DEFINITIONS

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“Latest Practicable Date”	30th September 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Li”	Ms. Li Kwo Yuk, an executive Director of the Company
“S&P Agreement”	the conditional sale and purchase agreement dated 8th September, 2004 entered into between the Company as the vendor and Ms. Li as the purchaser in relation to the Disposal
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 10:30 a.m. on 28th October, 2004 at Conference Room, Flats G & H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Smart Best”	Smart Best Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



## ARTFIELD GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

*Directors:*

LIANG Jin You (*Chairman & Managing Director*)

LI Kwo Yuk (*Deputy Chairman*)

LEUNG Kin Yau

OU Jian Sheng

DENG Ju Neng

LIN Dong Hong

LO Ming Chi, Charles\*

LO Wah Wai\*

Orr, Joseph Wai Shing\*

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal Office:*

13th Floor

Universal Industrial Centre

19-21 Shan Mei Street

Fo Tan, Shatin

New Territories

Hong Kong

\* *Independent non-executive director*

2nd October, 2004

*To the Shareholders*

Dear Sir/Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF INTERESTS IN GERMAN TIME LIMITED AND SMART BEST DEVELOPMENT LIMITED**

#### **1. INTRODUCTION**

It was announced on 10th September, 2004 that the Company entered into the S&P Agreement with Ms. Li pursuant to which the Company agreed to sell the entire interests in German Time and Smart Best to Ms. Li for the consideration of HK\$22,000,000.

German Time and Smart Best are indirect wholly-owned subsidiaries of the Company and Ms. Li is a director of the Company. Ms. Li is, therefore, a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders of the Company at the SGM by poll, at which Ms. Li and her associates shall abstain from voting on the resolution regarding the Disposal. The Disposal also constitutes a discloseable transaction for the Company under the Listing Rules. The

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## LETTER FROM THE BOARD

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Company has appointed an Independent Board Committee comprising the independent non-executive Directors, Mr. Lo Ming Chi, Charles and Mr. Cheung Doi Shu (resigned with effect from 30th September 2004), who will be responsible for advising the Independent Shareholders the terms of the S&P Agreement. Mr. Lo Ming Chi, Charles and Mr. Cheung Doi Shu declared that they do not have interests in the Disposal. As Mr. Lo Wah Wai and Mr. Orr, Joseph Wai Shing were appointed as independent non-executive Directors on 30th September 2004, in view of insufficient time for them to understand and review the Disposal, they were not included in Independent Board Committee. Baron has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The purpose of this circular is to provide you with further information in relation to the S&P Agreement and the Disposal, the letter of advice from the Independent Board Committee, the letter of advice from Baron to the Independent Board Committee and the Independent Shareholders of the Company, a property valuation report prepared by DTZ, as well as the notice of the SGM in relation to the Disposal.

### 2. THE S&P AGREEMENT

#### Date

8th September, 2004

#### Parties

Vendor: The Company

Purchaser: Ms. Li

#### Assets to be disposed of

The entire equity interests in German Time and Smart Best will be disposed of by the Company to Ms. Li.

German Time and Smart Best are property holding company, the sole assets of which are the properties (held more than twelve months) listed below:

German Time

Address: Town House No. 59, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon

Usage before Disposal: Staff quarter occupied by Mr. Liang Jin You and Ms. Li, both of them are executive Directors

Arrangement after Disposal: Ms. Li will occupy this property for her own use.

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## LETTER FROM THE BOARD

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Smart Best

Address: Shop Units G1 and G2, Ground Floor, Goodfit Commercial Building, No. 7 Fleming Road, Wanchai, Hong Kong

Usage before Disposal: Leased to two independent third parties for two years each. The aggregate exclusive rent receivable for the property is HK\$49,300 per month exclusive rates and management fees

Arrangement after Disposal: The existing tenancy agreements will be transferred to Ms. Li upon Completion

German Time and Smart Best will cease to be the subsidiaries of the Company upon the Completion and no remaining shares will be held directly or indirectly by the Company, nor any assets or liabilities retained by the Company.

### Consideration

The consideration payable by Ms. Li to the Company for the Disposal is HK\$22,000,000 to be satisfied in cash out of which HK\$1,100,000 was paid on the signing of the S&P Agreement, the balance of HK\$20,900,000 will be paid upon the Completion.

The consideration for the Disposal has been arrived at after arm's length negotiation between the Company and Ms. Li with reference to the independent property valuation prepared by DTZ as at the date of the S&P Agreement of HK\$14,000,000 and HK\$8,000,000 which are attributable to the properties owned by German Time and Smart Best respectively.

With reference to the independent property valuation as above, the Company declares that as between German Time and Smart Best, the consideration shall be apportioned as follows:

	<i>HK\$</i>
German Time	14,000,000
Smart Best	<u>8,000,000</u>
	<u><u>22,000,000</u></u>

Based on the unaudited balance sheet of German Time and Smart Best as at 31 July, 2004, the total assets of German Time and Smart Best are HK\$14,128,978 and HK\$8,066,224 respectively, of which HK\$14,088,165 and HK\$8,000,000 are the carrying value of the properties.

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## LETTER FROM THE BOARD

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The net profit (loss) attributable to German Time and Smart Best for the two financial years immediately preceding the transaction are as follows:

	Net profit (loss)		Net profit (loss)	
	before taxation and extraordinary items		after taxation and extraordinary items	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
German Time	(2,893,730)	(1,211,416)	(2,858,174)	(1,215,289)
Smart Best	552,523	(88,319)	524,334	(122,188)

### Conditions

Completion of the S&P Agreement is conditional upon the followings being fulfilled:

- (a) Completion of all announcements and circulars required to be issued by the Company under the Listing Rules and granting of all approval, if necessary, by the Stock Exchange;
- (b) the passing by the Independent Shareholders of the Company in the SGM of the necessary resolutions approving the S&P Agreement and the deed of assignment.

Subject to the fulfillment of the conditions set out as above, Completion of the S&P Agreement shall take place on the Completion Date.

### Use of proceeds

The proceeds of disposal of German Time of HK\$14,000,000 will be used to settle the outstanding mortgage loan in association with German Time's property of HK\$8,100,000, the balance of HK\$5,900,000, together with the proceeds of disposal of Smart Best of HK\$8,000,000, will be used to settle part of the secured term loans approximately to HK\$36,900,000 in total due by Artfield Manufacturing Company Limited, an indirectly wholly-owned subsidiary of the Company, to the banks in Hong Kong.

As at the date of this circular, no specific investment opportunities have been identified by the Company. The Directors will continue to take a prudent approach to identify and evaluate feasible investment opportunities for diversification, the ultimate aim of which is to enhance growth to provide favourable returns to the Shareholders of the Company.

### 3. INFORMATION OF THE COMPANY

The Company is an investment holding company, the principal activities of the Group are consisted of the manufacture and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services.



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## LETTER FROM THE BOARD

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### **4. INFORMATION OF GERMAN TIME**

German Time is a company incorporated in Hong Kong on 3rd July, 1987 and its principal business is property holding.

### **5. INFORMATION OF SMART BEST**

Smart Best is a company incorporated in Hong Kong on 6th January, 1999 and its principal business is property holding.

### **6. REASON FOR AND EFFECT OF THE DISPOSAL**

Given the recent recovery of the local economy, the value of properties has risen to a record high level following the wake of the market slowdown caused by the Severe Acute Respiratory Syndrome Epidemic in 2003. Upon the Completion, the total amount of bank and other borrowings will be reduced by HK\$22,000,000, and the Group's recurrent expenses will be decreased by approximately HK\$800,000 per year. The Directors are of the view that the Disposal will enable the Group to reduce the liabilities of the Group and as an effective way of improving the Group's financial position without discripting the ongoing operations of the Group. The Directors also consider that the Disposal will provide an opportunity for the Group to realize its investment in the properties, however, the Group has foregone any possible capital appreciation of the properties. Taking into account the reasons mentioned above, the Directors are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole and the terms of the S&P Agreement is fair and reasonable.

As a result of the Disposal, after deducting the estimated expenses, the Group is expected to record an unaudited loss on disposal of approximately of HK\$300,000 in its consolidated income statement.

### **7. CONNECTION BETWEEN THE PARTIES**

German Time and Smart Best are indirect wholly-owned subsidiaries of the Company. Ms. Li is a connected person of the Company by virtue of hers being a director of the Company. In accordance with article 103 of the Company's bye laws, Ms. Li and her associates abstained from voting and were not counted in quorum in the Board meeting held on the date of the S&P Agreement.

The Disposal constitutes a discloseable and connected transaction for the Company under the Listing Rules and is subject to the approval of Independent Shareholders of the Company at the SGM, at which Ms. Li and her associates shall abstain from voting on the resolution regarding the Disposal.

### **8. BASIS OF NEGOTIATION OF THE TERMS AND CONDITIONS OF THE S&P AGREEMENT**

The terms of the S&P Agreements under the Disposal were determined after arm's length negotiations between the parties to the S&P Agreements and by reference to the value of the properties (e.g. with respect to floor area and age of the building) stated in the property valuation report prepared by DTZ, an independent property valuer.

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## LETTER FROM THE BOARD

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A property valuation prepared by DTZ is set out in appendix I to this circular.

### 9. SGM

There is set out on pages 28 and 29 a notice convening the SGM at which an ordinary resolution will be proposed to approve the S&P Agreement. Only the Independent Shareholders of the Company will be entitled to vote on the respective resolution in relation to the S&P Agreement. Such resolution shall be voted by poll.

A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's principal office at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

As the Disposal constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders of the Company at the SGM by poll, at which Ms. Li and her associates shall abstain from voting on the resolution regarding the Disposal.

### 10. PROCEDURES FOR DEMANDING A POLL

According to clause 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:–

- (a) the chairman of such meeting; or
- (b) at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

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## LETTER FROM THE BOARD

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### 11. RECOMMENDATION

The Board considers that the S&P Agreement to be fair and reasonable and that it is in the best interest of the Company and its Shareholders as a whole, and the Board therefore recommends all shareholders of the Company (who are entitled to vote at the SGM) to vote in favour of the resolution set out in the notice of the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 10 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the Disposal and the letter of advice from Baron to the Independent Board Committee and the Independent Shareholders set out on pages 11 to 17 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in this regard.

### 12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendix II and the notice of the SGM set out in this circular.

Yours faithfully,  
For and on behalf of  
**Artfield Group Limited**  
**Liang Jin You**  
*Chairman*



**ARTFIELD GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

28th September, 2004

*To the Independent Shareholders*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF INTERESTS IN  
GERMAN TIME LIMITED AND SMART BEST DEVELOPMENT LIMITED**

We refer to the circular from the Company to the Shareholders dated 2nd October, 2004 (“Circular”) of which this letter forms part. The terms in the Circular shall have the same meaning in this letter unless the context otherwise requires.

We have been appointed to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the S&P Agreement are in the best interest of the Company and its Independent Shareholders, and fair and reasonable so far as the Independent Shareholders are concerned. Baron has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement.

We wish to draw your attention to the “Letter from the Board” set out on pages 3 to 9 of the Circular, which contains, inter alia, information regarding the S&P Agreement, as well as to the “Letter from Baron” set out on pages 11 to 17 of the Circular containing Baron’s advice vis-à-vis the terms of the S&P Agreement.

Having taken into account the advice of Baron, we consider the terms of the S&P Agreement are in the best interest of the Company and its Independent Shareholders, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders of the Company vote in favour of the relevant ordinary resolution to be proposed at the SGM.

Yours faithfully

For and on behalf of the

Independent Board Committee

**Lo Ming Chi, Charles and Cheung Doi Shu**

*Independent non-executive Directors*

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## LETTER FROM BARON

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Baron Capital Limited dated 2 October 2004 prepared for the purpose of incorporation in this circular:*



4/F, Aon China Building,  
29 Queen's Road Central,  
Central, Hong Kong

2 October 2004

*To the Independent Board Committee and Independent Shareholders*

Dear Sirs,

### **Discloseable and Connected Transaction Disposal of interests in German Time Limited and Smart Best Development Limited**

#### **INTRODUCTION**

We refer to our appointment by Artfield Group Limited (the "Company") to advise the Independent Board Committee and the Independent Shareholders in respect of the disposal of interests in German Time Limited and Smart Best Development Limited, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 2 October 2004 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

The Board announced that on 10 September 2004 the Company and Ms. Li entered into the S&P Agreement pursuant to which the Company agreed to sell the entire interests in German Time and Smart Best to Ms. Li for a consideration of HK\$22,000,000.

German Time and Smart Best are indirect wholly-owned subsidiaries of the Company. Ms. Li is a connected person of the Company by virtue of that she is a Director. In accordance with article 103 of the Company's bye laws, Ms. Li and her associates abstained from voting and were not counted in quorum in the board meeting held in relation to the approval of the S&P Agreement.

The Disposal constitutes a discloseable and connected transaction for the Company under the Listing Rules and is subject to the approval of Independent Shareholders at the SGM as voted by poll, at which Ms. Li and her associates shall abstain from voting on the resolutions regarding the Disposal.

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## LETTER FROM BARON

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The Independent Board Committee comprising the independent non-executive Directors has been established by the Company to advise the Independent Shareholders in relation to the Disposal and to give a recommendation to the Independent Shareholders in relation to the voting of the relevant resolutions at the SGM.

### **BASIS OF OUR OPINION**

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continue to be so at the date of the Circular. We have also relied on the information and representations provided by DTZ regarding the valuation of the properties owned by German Time and Smart Best (the “Valuation Report”) and assumed that the bases and assumptions made in determining the valuation by the Valuer are fair and reasonable.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company and on the Valuation Report, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, we have taken the following principal factors and reasons into consideration:

#### **1. The S&P Agreement**

Pursuant to the S&P Agreement, the Company agreed to sell the entire interests in German Time and Smart Best to Ms. Li, details of which are set out in the “Letter from the Board” contained in the Circular, for an aggregate consideration of HK\$22,000,000.

According to the Valuation Report, the property held by German Time is currently occupied as staff quarter. The properties held by Smart Best are currently leased to two independent third parties for a term of two years each. According to the Valuation Report, the aggregate rent receivable for the properties are HK\$49,300 per month exclusive of rates and management fees.

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## LETTER FROM BARON

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### *Considerations*

According to the “Letter from the Board” contained in the Circular, it was stated that the aggregate consideration of HK\$22,000,000 for the Disposal was negotiated on an arm’s length basis and by reference to the valuation of the properties appraised by DTZ as at the date of the S&P Agreement. The consideration of HK\$22,000,000 will be satisfied entirely in cash out of which HK\$1,100,000 was paid on the signing of the S&P Agreement, the balance representing HK\$20,900,000 will be paid upon the Completion.

### *Conditions*

Completion of the S&P Agreement is conditional upon the followings, among others, being fulfilled:

1. Completion of all announcements and circulars required to be issued by the Company under the Listing Rules and granting of all approval, if necessary, by the Stock Exchange; and
2. the passing by the Independent Shareholders in the SGM of the necessary resolutions approving the S&P Agreement and the deed of assignment.

## **2. Business and financial performance of the Group**

The Company is an investment holding company, the principal activities of the Group are consisted of manufacturing and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services.

The financial track record of the Group for the two financial years ended 31 March 2004 is set out below:

	<b>Audited FY 2003</b>	<b>Audited FY 2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	268,853	229,925
Gross Profit	60,333	49,372
Profit/(loss) before taxation	2,523	(16,248)
Net profit/(loss)	1,577	(16,538)

According to the Group’s 2004 annual report, in the last two financial years, the Group’s two major business segments, including i) clocks and office related product; and ii) trading of metals, together accounted for more than 80% of the Group’s turnover. According to the Chairman’s statement, the performance of the Group was unavoidably impaired by the outbreak of severe acute respiratory syndrome (“SARS”) epidemic and the Iraq war for the financial year ended 2004. In view of the keen competition within the clock industry, the management has continued to identify and evaluate investment opportunities with a view to diversifying the Group’s businesses.

### **3. Reasons for the Disposal**

As stated in the “Letter from the Board” contained in the Circular, the Directors considered that the value of the properties has risen to a record high following the wake of the market slowdown caused by the SARS epidemic in 2003 and they are of the view that the Disposal will enable the Group to reduce its liabilities and to improve its financial position.

As stated in the Group’s 2004 annual report, in view of the keen competition of the clock industry, the Group has since March 2004 diversified into the pharmaceutical businesses in the PRC with the purpose of achieving higher profitability returns for the Company and the Shareholders. In addition, it is the management’s plan to continue to identify and evaluate investment opportunities with a view to expanding the scope of the Group’s businesses. According to the “Letter from the Board” contained in the Circular, currently no specific new investment opportunities have been identified, the Directors believe that it is necessary for the Group to improve its financial position in anticipation of prospective investment opportunities should they arise in the future. We are of the view that it is expedient for the Group to enhance its financial position so as to facilitate future capital raising activities and/or acquisitions, if any.

As discussed in the section headed “Financial effects of the Disposal” below, the Disposal represents an opportunity to reduce the Group’s overall liabilities and will allow the Group to realise its investments in the properties by taking advantage of the recent recovery of the local real estate market. However, we considered that the Group has foregone any possible capital appreciation opportunities of the properties should the real estate market further improve. We are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole in this respect.

### **4. The valuation**

The consideration of HK\$22,000,000 for the Disposal was determined in accordance with the valuation as at 8 September 2004 by DTZ, a copy of the Valuation Report is set out in Appendix I to the Circular. The consideration is equivalent to the aggregate amount of the capital value of the properties in existing state appraised under the Valuation Report as at 8 September 2004.

As stated in the Valuation Report, the valuation of the properties represents the open market value which is defined as “the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation”. The properties have been valued by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market or where appropriate by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

We have reviewed the basis of the underlying assumptions, among others, that (i) the owner sells the properties in the open market without the benefit of a deferred term contract, leaseback, a management agreement or any similar arrangement which would serve to affect the value of the properties; and (ii) the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values. Given the assumptions and valuation methodologies applied by the Valuer are normal and usual among professional property valuers in Hong Kong, we have no reason to doubt the assumptions



they have made and the reasonableness of the valuation and consider the methodology adopted in their valuation to be appropriate. In this regard, we are of the view that the valuation of the properties has been performed by DTZ after due care and consideration, and the consideration, which is equal to the valuation as at 8 September 2004, is fair and reasonable so far as the Independent Shareholders are concerned.

### **5. Use of proceeds**

As set out in the “Letter from the Board” contained in the circular, the consideration will be satisfied entirely in cash at Completion. The proceeds of disposal of German Time of HK\$14,000,000 will be used to settle the outstanding mortgage loan in association with its sole property of HK\$8,100,000, the balance of HK\$5,900,000, together with the proceeds of disposal of Smart Best of HK\$8,000,000, will be used to settle part of the secured term loans approximately to HK\$36,900,000 in total due to the banks in Hong Kong.

According to the Group’s 2004 annual report, to acquire higher returns for the Company and the Shareholders, the Group has diversified into the pharmaceutical business in the PRC. The settlement of the Group’s bank loans with the proceeds from the Disposal will allow the Group to better utilize its financial resources for other investment opportunities. We are of the view that the application of proceeds from the Disposal towards reducing the Group’s liabilities with a view to enhance its financial position and gearing (as discussed in section 6 below) is fair and reasonable to the Company and the Shareholders as a whole.

### **6. Financial effects of the Disposal**

#### *(a) Net asset value*

The audited net asset value of the Group as at 31 March 2004 was approximately HK\$181.14 million. As discussed under the sub-section “Profit and loss accounts” below, the Group would realise a loss of approximately HK\$300,000 after the Disposal but the Group’s recurrent expenses are expected to be decreased by approximately HK\$800,000 per year. As a result of the Disposal, the net asset value of the Group may have a positive effect of approximately HK\$500,000 assuming other things remain constant.

#### *(b) Profit and loss accounts*

As set out in the “Letter from the Board” contained in the Circular, the Group is expected to realise a loss of HK\$300,000 in relation to the Disposal. For the year ended 31 March 2004, Smart Best contributed a profit of approximately HK\$524,000 to the Company. As advised by the Directors, Since German Time does not receive any income from external parties, it made a loss of approximately HK\$2,858,000 during the year 2004, of which HK\$1,500,000 was a one-time write-off expense and the balance of approximately HK\$1,358,000 was recurrent expenses. Therefore, after the Disposal, the Group’s recurrent expenses will be decreased by approximately HK\$800,000 (the difference between German Times recurrent expenses of approximately HK\$1,358,000 and Smart Best’s profit of approximately HK\$524,000) per year. We considered that, since the decreases in recurrent expenses after the Disposal are more than the loss on the Disposal of approximately HK\$300,000, we are of the view that the Disposal as a whole is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM BARON

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(c) *Gearing*

Gearing ratios (being total bank and other borrowings divided by net asset of the Group) as at 31 March 2003 and 31 March 2004 are as follows:

	<b>As at 31 March 2003</b>	<b>As at 31 March 2004</b>
	<i>(HK\$ 000)</i>	<i>(HK\$ 000)</i>
Total bank and other borrowings	52,008	61,718
Net asset	196,800	181,137
Gearing	0.26	0.34

After Completion, the gearing ratio of the Group will decrease from 0.34 to 0.22 assume that i) the total amount of bank and other borrowings is reduced by HK\$22,000,000, from approximately HK\$61.7 million to approximately HK\$39.7 million; ii) the net asset of the Group have a positive effect of HK\$500,000 after the Disposal as discussed under the sub-section "Profit and loss accounts" above; and iii) other things remain constant.

We are of the view that the improvement in the gearing is expedient for the Group to facilitate any future capital raising activities and/or acquisitions. Also, the recent increases of the interest rates will unavoidably increase the Group's interest expenses if the Group does not reduce its liabilities. Therefore, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

### 7. Summary

Having considered the above principal factors and reasons, we draw your attention to the following key factors in arriving at our conclusions:

- (a) The aggregate consideration of HK\$22,000,000 for the Disposal was negotiated on an arm's length basis and the Disposal is based on valuation conducted by an independent professional valuer and there is no reason to doubt the fairness and appropriateness of the methodology adopted, assumptions used and discount rate applied by DTZ in arriving at the valuation of the properties held by German Time and Smart Best;
- (b) the Disposal will reduce the Group's gearing, thereby enhancing the financial position of the Group;
- (c) the Disposal will provide an opportunity for the Group to realise its investments in the properties; however, the Group has foregone any possible capital appreciation opportunities of the properties; and
- (d) the Disposal will have positive effect on the net asset value and earnings of the Group as the recurring expense of the Group is expected to be decreased which outweigh the loss on the Disposal.

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## LETTER FROM BARON

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### RECOMMENDATION

Having considered the above principal factors and reasons, we considered that it is essential for the Group to lower its gearing and enhancing its financial positions in anticipation of prospective investment opportunities should they arise in the future. Hence, we are of the opinion that the Disposal is in the interest of the Group and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee of the Company to recommend the Independent Shareholders to vote in favor of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Disposal.

Yours faithfully,  
For and on behalf of  
**Baron Capital Limited**  
**Chiu Sui Keung, Thomas**  
*Managing Director*

8th September, 2004

The Directors  
Artfield Group Limited  
Flats G & H, 13th Floor, Universal Industrial Centre  
19-21 Shan Mei Street, Fo Tan  
Shatin  
New Territories

Dear Sirs,

**Re: 1. Town House No. 59, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon.**  
**2. Shop Units G1 and G2, Ground Floor, Goodfit Commercial Building, No. 7 Fleming Road, Wanchai, Hong Kong.**

In accordance with your instructions to us to value the captioned properties, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of the properties as at 8th September, 2004 (the “date of valuation”).

Our valuations of the properties represent their open market values which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, a management agreement or any similar arrangement which could serve to affect the values of the properties.

We have valued the properties by direct comparison approach assuming sale of the properties in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market or where appropriate by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

We have relied to a considerable extent on the information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, particulars of occupancy, tenure, identification of properties, floor areas, floor plans and all other relevant matters.

We have not been provided with copies of the title documents relating to the properties but we have conducted land search of the properties in the Urban Land Registry. We however have not examined the original documents to verify ownership or to ascertain the existence of any amendments. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by you and we were also advised by you that no material facts have been omitted from the information supplied.

We have inspected exterior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. We have not been able to carry out detailed on-site measurements to verify the floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

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

We enclose herewith our summary of valuations and valuation certificates for your attention.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**

**Peter Lee**  
Registered Professional Surveyor  
M.H.K.I.S., M.R.I.C.S.  
*Director*

*Note:* Mr. Peter Lee is a Registered Professional Surveyor who has extensive experience in the valuation of properties in Hong Kong.

## Summary of Valuations

	<b>Capital value in existing state as at 8th September, 2004</b>
1. Town House No. 59, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon.	HK\$14,000,000
2. Shop Units G1 and G2, Ground Floor, Goodfit Commercial Building, No. 7 Fleming Road, Wanchai, Hong Kong.	HK\$8,000,000
<b>Total:</b>	<hr/> <b>HK\$22,000,000</b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 8th September, 2004												
1. Town House No. 59, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon.  33/4945th shares of and in New Kowloon Inland Lot No. 5792.	<p>Sunderland Estate comprises a total of 116 terrace houses and 5 apartment blocks with communal swimming pool and car parking facilities provided within the development.</p> <p>The subject property comprises a 4-storey terrace house completed in 1983 with a carport provided on ground floor.</p> <p>The property has a saleable area of approximately 2,401 sq.ft. (223.06 sq.m.). Ancillary areas of the property are as follows:—</p>	<p>The property is currently occupied as staff quarters.</p>	<p>HK\$14,000,000</p>												
	<table border="0"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><b>Area</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>sq.ft.</b></th> <th style="text-align: center;"><b>sq.m.</b></th> </tr> </thead> <tbody> <tr> <td>Carport</td> <td style="text-align: center;">248</td> <td style="text-align: center;">23.04</td> </tr> <tr> <td>Roof, Garden &amp; Yard</td> <td style="text-align: center;">1,241</td> <td style="text-align: center;">115.29</td> </tr> </tbody> </table>		<b>Area</b>			<b>sq.ft.</b>	<b>sq.m.</b>	Carport	248	23.04	Roof, Garden & Yard	1,241	115.29		
	<b>Area</b>														
	<b>sq.ft.</b>	<b>sq.m.</b>													
Carport	248	23.04													
Roof, Garden & Yard	1,241	115.29													
	<p>The property is held from the Government under Condition of Sale No. 11382 for a term of 99 years from 1st July, 1898 and the lease had been statutorily extended until 30th June, 2047. The current Government Rent payable for the property is equivalent to 3% of the rateable value for the time being of the property per annum.</p>														

*Notes:*

- (1) The registered owner of the property is German Time Limited.
- (2) The property is subject to a Tripartite Legal Charge/Mortgage in favour of Citic Ka Wah Bank Limited for all moneys.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 8th September, 2004															
2. Shop Units G1 and G2, Ground Floor, Goodfit Commercial Building, No. 7 Fleming Road, Wanchai, Hong Kong.  5/53rd shares of and in the Remaining Portion of Section C of Inland Lot No. 2807.	<p>The property comprises a 14-storey commercial building completed in 1983. Ground floor is devoted to retailing purposes whilst upper floors accommodate office units.</p> <p>The saleable area of the subject property are as follows:–</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">Area</th> </tr> <tr> <th></th> <th style="text-align: center;">sq.ft.</th> <th style="text-align: center;">sq.m.</th> </tr> </thead> <tbody> <tr> <td>Shop G1</td> <td style="text-align: center;">59</td> <td style="text-align: center;">5.48</td> </tr> <tr> <td>Shop G2</td> <td style="text-align: center;">107</td> <td style="text-align: center;">9.94</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b><u>166</u></b></td> <td style="text-align: center;"><b><u>15.42</u></b></td> </tr> </tbody> </table>		Area			sq.ft.	sq.m.	Shop G1	59	5.48	Shop G2	107	9.94	<b>Total</b>	<b><u>166</u></b>	<b><u>15.42</u></b>	<p>The property is currently leased to two tenants both for 2 years with the latest tenancy due to expire on 30th September, 2006. The aggregate rent receivable for the property is HK\$49,300 per month exclusive of Rates and management fees.</p>	HK\$8,000,000
	Area																	
	sq.ft.	sq.m.																
Shop G1	59	5.48																
Shop G2	107	9.94																
<b>Total</b>	<b><u>166</u></b>	<b><u>15.42</u></b>																
	<p>The property is held from the Government under Government Lease for a term of 99 years from 25th May, 1929 renewable for a further term of 99 years. The current Government payable for the whole of I.L. 2807 is HK\$48 per annum.</p>																	

*Notes:*

- (1) The registered owner of the property is Smart Best Development Limited.
- (2) The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 7958932 dated 15th December, 1999.



## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2, 3, 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long positions

#### (a) Ordinary shares of HK\$0.10 each of the Company

Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. LIANG Jin You	Held by controlled corporation (note 1)	119,184,300	45.40%
Mr. LIN Dong Hong	Held by controlled corporation (note 2)	11,193,140	4.26%

#### (b) Share options

Directors	Capacity	Number of options held	Number of underlying shares
Mr. LIANG Jin You	Beneficial owner	2,306,000	2,306,000
Ms. LI Kwo Yuk	Beneficial owner	2,836,000	2,836,000
Mr. OU Jian Sheng	Beneficial owner	5,766,000	5,766,000
		<u>10,908,000</u>	<u>10,908,000</u>

*Note 1:* 119,184,300 shares are owned by Golden Glory Group Limited (“GG”), a company incorporated in the British Virgin Islands. The entire issued share capital of GG is beneficially owned by General Line International (Holdings) Limited, which is in turn 100% beneficially owned by Mr. LIANG Jin You.

As Mr. LIANG is the husband of Ms. LI, he is required to abstain from voting on the resolution regarding the Disposal in the SGM.

*Note 2:* 11,193,140 Shares are owned by Grand Castle Holdings Limited (“GC”), a company incorporated in the British Virgin Islands. The entire issued share capital of GC is 100% beneficially owned by Mr. LIN Dong Hong.

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

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### Long positions

*Ordinary shares of HK\$0.10 each of the Company*

Shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Golden Glory Group Limited	Beneficial owner	119,184,300	45.40%
General Line International (Holdings) Limited	Held by controlled corporation ( <i>Note</i> )	119,184,300	45.40%
Mr. LI Feng Saio	Beneficial owner	22,841,600	8.70%
Ms. CHIA Kok Chi Annie	Beneficial owner	19,750,000	7.52%

*Note:* 119,184,300 shares are owned by GG, a company incorporated in the British Virgin Islands. The entire issued share capital of GG is beneficially owned by General Line International (Holdings) Limited, which is in turn 100% beneficially owned by Mr. LIANG Jin You.

According to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, other than the interest disclosed herein, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company or in any options in respect of such capital.

#### **4. MATERIAL CHANGES**

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2004, the date to which the latest published audited consolidated accounts for the Group have been made up.

#### **5. OTHER INTERESTS TO THE DIRECTORS AND THE EXPERTS**

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2004, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group taken as a whole;
- (iii) neither Baron nor DTZ had any direct or indirect interest in any assets which have, since 31 March 2004, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;
- (iv) neither Baron nor DTZ was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group taken as a whole;

- (v) none of the Directors and/or each of his/her respective associates (as would be required to be disclosed under Rule 14A59(ii)) has, at the date of this circular, any competing interest with the Group.

## 6. DIRECTORS' INTEREST IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

## 7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other members of the Group.

## 8. EXPERTS AND CONSENTS

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

<b>Name</b>	<b>Qualification</b>
Baron	a licensed corporation to perform Type 1 and Type 6 regulated activities (as defined in the SFO)
DTZ	Registered professional surveyor, M.H.K.I.S. and M.R.I.C.S.

Each of Baron and DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and references to its names in the form and context in which it appears.

As at the Latest Practicable Date, neither Baron nor DTZ was beneficially interested in the share capital of any member of the Group nor had they any rights, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 9. MISCELLANEOUS

- (a) The registered office of the Company is at the Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong

- (c) The company secretary of the Company is Mr. Lee Wai Lung. Mr. Lee is a member of the Chartered Association of Certified Accountants and an associate of Hong Kong Institute of Certified Public Accountants.
- (d) The qualified accountant of the Company is Mr. Lee Wai Lung appointed pursuant to Rule 3.24 of the Listing Rules. Mr. Lee is a member of the Chartered Association of Certified Accountants and an associate of Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Accountancy from Hong Kong Baptist University.
- (e) The branch share registrars and transfer office of the Company in Hong Kong is Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (f) The Company's auditor is KLL Associates CPA Limited, whose registered office is located at Suite 1303, Shanghai Industrial Investment Building, 60 Hennessy Road, Wanchai, Hong Kong.
- (g) The English text of this circular and the form of proxy shall prevail over the Chinese text in the case of any inconsistency.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong during the normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the SGM:

- the memorandum and articles of association of the Company before amendments;
- the annual reports of the Company for each of the two years ended 31 March 2004;
- the interim report of the Company for the six months ended 30 September 2003;
- the S&P Agreement;
- the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 10 of this circular;
- the letter from Baron to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 17 of this circular;
- the property valuation report prepared by DTZ as set out in appendix I to this circular; and
- the letters of consent referred to under the paragraph headed “Experts and consents” in this appendix.



## **ARTFIELD GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

**NOTICE IS HEREBY GIVEN** that a special general meeting of the shareholders of Artfield Group Limited (the “Company”, together with its subsidiaries, the “Group”) will be held at Conference Room, Flats G & H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on 28th October, 2004 at 10:30 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

### **ORDINARY RESOLUTION**

**“THAT:**

1. the conditional sale and purchase agreement dated 8th September, 2004 (the “S&P Agreement”) entered into between Artfield Group Limited (“the Company”) as the vendor and Ms. Li Kwo Yuk (“Ms. Li”) as the purchaser (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose), under which the Company has agreed to sell and Ms. Li has agreed to purchase the entire interests in German Time Limited and Smart Best Development Limited for a consideration of HK\$22,000,000 to be satisfied in cash in accordance with the terms of the S&P Agreement, and the transactions contemplated therein be and are hereby approved, confirmed and ratified; and
2. any one director of the Company be and is hereby authorized to do all things and acts and sign all documents which he/she considers necessary, desirable, or expedient in connection with the transactions contemplated under the S&P Agreement, including such changes and amendments thereto as any one director of the Company may consider necessary, desirable or expedient.”

By Order of the Board

**Liang Jin You**

*Chairman*

Hong Kong, 2nd October, 2004

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## NOTICE OF SGM

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*Registered office:*

13th Floor  
Universal Industrial Centre  
19-21 Shan Mei Street  
Fo Tan, Shatin  
New Territories  
Hong Kong

*Notes:*

1. Any member entitled to attend and vote may appoint one or more proxies to attend the meeting on a poll vote instead of him. A proxy may not be a member of the Company.
2. The form of proxy shall be in writing under the hand of the appointed or of his attorney duly authorised in writing or if the appointed is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's principal office at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

As at the date of this notice, the executive directors of the Company are Mr. LIANG Jin You, Ms. LI Kwo Yuk, Mr. LEUNG Kin Yau, Mr. OU Jian Sheng, Mr. DENG Ju Neng and Mr. LIN Dong Hong. The independent non-executive directors are Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. Orr, Joseph Wai Shing.