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If you have sold all your shares or warrants in Artfield Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

LIANG Jin You (*Chairman & Managing Director*)

LI Kwo Yuk (*Deputy Chairman*)

LEUNG Kin Yau

OU Jian Sheng

DENG Ju Neng

LO Wah Wai#

LO Ming Chi, Charles*

CHEUNG Doi Shu*

Non-executive director

* *Independent non-executive director*

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23 July 2002

To the shareholders and, for information only, the warrant holders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SECURITIES AND ISSUE NEW SHARES

INTRODUCTION

The purpose of this circular is to seek your approval of the ordinary resolutions to be proposed at the forthcoming annual general meeting (the "Annual General Meeting") of Artfield Group Limited (the "Company") to be held on Friday, 30 August 2002. Ordinary resolutions will be proposed to grant to the directors of the Company (the "Directors") general mandates to repurchase securities and issue new shares of the Company, and extend general mandate to issue new shares of the Company. This circular contains the explanatory statement in compliance with the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of

Hong Kong Limited (the “Stock Exchange”) and gives all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the Company to repurchase its own securities and issue new shares.

GENERAL MANDATE TO REPURCHASE SECURITIES

At the Annual General Meeting, an ordinary resolution will be proposed to approve the granting of a general mandate to the Directors to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. Under such mandate, the Company may repurchase (i) shares of HK\$0.10 each (“Shares”) representing up to a maximum of 10% of the share capital of the Company in issue as at the date of passing the resolution; and (ii) up to a maximum of 10% of all the warrants in issue conferring the rights to subscribe up to HK\$59,730,645 in aggregate in cash for Shares at the initial subscription price of HK\$1.23 per Share (subject to adjustment) (“Warrants”) as at the date passing the relevant ordinary resolution (the “Repurchase Mandate”). The Company’s authority is restricted to purchase made on the Stock Exchange in accordance with the Listing Rules of the Stock Exchange.

As at 23 July 2002 (the “Latest Practicable Date”), being the latest practicable date prior to printing of this circular, there were in issue an aggregate of 242,807,500 Shares and the Company has 48,561,500 Warrants outstanding at such date with total subscription rights of HK\$59,730,645, equivalent to the aggregate subscription price for a total of 48,561,500 Shares on the basis of the subscription price of HK\$1.23 per Share (subject to adjustment). Exercise in full of the Repurchase Mandate, on the basis that no further Shares and/or Warrants are issued or repurchased prior to the Annual General Meeting, could accordingly result in up to 24,280,750 Shares and 4,856,150 Warrants being repurchased by the Company. The mandate allows the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

The Directors have no present intention to repurchase any Shares and/or Warrants but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net value of the Company and/or earnings per share. As compared with the financial position of the Company as at 31 March 2002 (being the date of its latest audited accounts), the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its memorandum of association, bye-laws and/or applicable laws of Bermuda to purchase its securities. Bermuda law provides that the amount of capital repaid in connection with securities repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of the fund of the Company that would otherwise be legally available for dividend or distribution or out of the share premium accounts of the Company for such purpose under the laws of Bermuda. Under Bermuda law, the securities so repurchased will be treated as cancelled but the aggregate amount of authorized share capital will not be reduced so that new shares may be subsequently re-issued.

GENERAL MANDATE TO ISSUE NEW SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general unconditional mandate to allot, issue and deal with, otherwise than by way of

rights or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company or any shares of the Company issued as scrip dividends pursuant to the bye-laws of the Company, shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue on the date passing the resolution. The general mandate to issue new shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by law and the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

EXTEND GENERAL MANDATE TO ISSUE NEW SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the general mandate to issue new shares will be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate as at the date passing the resolution at the Annual General Meeting.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) have any present intention to sell any securities of the Company to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the shareholders.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell securities to the Company nor has he/she undertaken not to sell any of securities held by him/her to the Company in the event that the Company is authorised to make purchases of securities.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and all applicable laws of Bermuda, and in accordance with the regulations set out in the memorandum of association and bye-laws of the Company.

EFFECT OF TAKEOVERS CODE

If on exercise of the power to repurchase Shares and/or Warrants pursuant to Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). As a result, a shareholder or a group of shareholders, acting in concert could, depending on the level of increase of shareholders interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. The Directors are not aware of any shareholder, or a group of shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code in the event that the Directors exercise the power to repurchase Shares and/or Warrants pursuant to the Repurchase Mandate.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Golden Glory Group Limited, whose sole director and ultimate 100% beneficial owner is Mr. LIANG Jin You, a director of the Company, who held approximately 49.1% of the issued share capital of the Company, was the only substantial shareholder holding more than 10% of the issued

share capital of the Company. In the event that the Directors exercise in full the powers to repurchase the Shares pursuant to the Repurchase Mandate, the shareholding of Golden Glory Group Limited in the Company would be increased to approximately 54.5% of the issued share capital of the Company and such increase may give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. The Directors have no present intention to exercise the Repurchase Mandate to such an extent that it would trigger a takeover obligation by the controlling shareholder. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

GENERAL

During each of six months preceding the Latest Practicable Date, no Shares and/or Warrants have been repurchased on the Stock Exchange by the Company.

During the previous twelve months, the highest and lowest traded prices for the Shares and Warrants on the Stock Exchange were as follows:–

	SHARES		WARRANTS	
	Highest HK\$	Lowest HK\$	Highest HK\$	Lowest HK\$
2001				
July	1.02	0.72	N/A	N/A
August	1.05	0.78	N/A	N/A
September	0.85	0.69	0.45	0.14
October	0.80	0.70	0.61	0.42
November	0.80	0.70	2.10	0.50
December	0.80	0.70	2.10	1.60
2002				
January	0.82	0.74	2.20	1.99
February	0.85	0.76	2.05	1.97
March	0.83	0.77	1.95	1.85
April	0.82	0.76	1.83	1.60
May	0.80	0.75	1.75	1.15
June	0.77	0.63	1.20	1.10

** Note: The trading of the Warrants commenced in September 2001 as they were issued in September 2001.*

RECOMMENDATION

The Directors consider that the granting of the mandates to repurchase securities and issue new shares are in the interest of the Company and its shareholders, and so recommend you to vote in favour of the resolutions at the forthcoming Annual General Meeting. The Directors will vote all their shareholdings in favour of the resolutions.

Yours faithfully,
For and on behalf of the Board
LIANG Jin You
Chairman