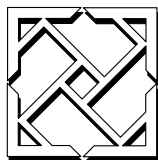


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*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe the securities.*



# **ARTFIELD GROUP LIMITED**

*(incorporated in the Bermuda with limited liability)*

## **SHARE TRANSACTION AND RESUMPTION OF TRADING**

On 15 March 2004, the Company entered into the S&P Agreement pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase a total of 49% equity interest in Success Start at the Consideration. The Consideration shall be satisfied by the Company by way of the issue and allotment of the Consideration Shares, credited as fully paid, at HK\$0.80 each to the Vendors or their nominees on Completion.

Upon Completion, Mr. Lin, Mr. Wang and the Purchaser will be interested in 26%, 25% and 49% equity interest of Success Start respectively.

The issue price of the Consideration Shares at HK\$0.80 each represents (i) a premium of approximately 25.8% to the average closing price of the Shares as quoted by the Stock Exchange for the last 10 trading days prior to the date of the S&P Agreement of HK\$0.636 each; and (ii) a premium of approximately 14.3% to the closing price of the Shares on 15 March 2004 of HK\$0.70 each.

The Consideration Shares to be issued represents (i) approximately 9.1% of the total Shares in issue and (ii) approximately 8.4% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The S&P Agreement constitutes a share transaction under Chapter 14 of the Listing Rules.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on Monday, 15 March 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Wednesday, 17 March 2004.

## **S&P Agreement**

Date: 15 March 2004

Purchaser: Easy Link, a wholly-owned subsidiary of the Company

Vendors: (i) Mr. Lin and (ii) Mr. Wang. Each of the Vendors is an independent third party not connected with the Company, its directors, chief executive and substantial shareholders of the Company, its subsidiaries or any of their respective associates as defined in the Listing Rules.

Pursuant to the S&P Agreement, the Purchaser conditionally agreed to purchase and Mr. Lin and Mr. Wang conditionally agreed to sell 25% and 24% of their respective equity interest in Success Start at the Consideration.

Before Completion, Success Start is owned as to 51% by Mr. Lin and 49% by Mr. Wang. Upon Completion, Mr. Lin, Mr. Wang and the Purchaser will be interested in 26%, 25% and 49% equity interest of Success Start respectively.

Each of Mr. Lin and Mr. Wang is an independent third party not connected with the Company, its directors, chief executive and substantial shareholders of the Company, its subsidiaries or any of their respective associates as defined in the Listing Rules.

## **BASIS OF CONSIDERATION**

The Consideration shall be satisfied by the Company by way of the issue and allotment of 21,939,084 new Shares, credited as fully paid, at HK\$0.80 each to the Vendors or their nominees on Completion. The Consideration was arrived at after arm's length negotiations between the Company and the Vendors with reference to the audited consolidated net asset value of Success Start as at 31 December 2003 amounting approximately HK\$35,818,913. The Directors consider that the acquisition is on normal commercial terms and is in the interest of the Company and that the terms of the S&P Agreement are fair and reasonable so far as the Company and its Shareholders are concerned.

## **CONSIDERATION SHARES**

The issue price of the Consideration Shares at HK\$0.80 each represents (i) a premium of approximately 25.8% to the average closing price of the Shares as quoted by the Stock Exchange for the last 10 trading days prior to the date of the S&P Agreement of HK\$0.636 each; and (ii) a premium of approximately 14.3% to the closing price of the Shares on 15 March 2004 of HK\$0.70 each. Based on the latest closing price of the Shares on 15 March 2004 of HK\$0.70 each, the market value of the Consideration Shares is approximately HK\$15.35 million.

The Company's total existing Shares in issue are 240,539,500 shares. The Consideration Shares to be issued represent (i) approximately 9.1% of the total Shares in issue and (ii) approximately 8.4% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued pursuant to the general mandate to allot, issue and deal with the 48,107,900 Shares (240,539,500 Shares x 20%) granted to the Directors by resolution of its shareholders passed at the Company's general meeting held on 28 August 2003. As at the date of this announcement, no shares have been issued under the mandate. A total of 11,193,410 and 10,745,674 Consideration Shares shall be issued to Mr. Lin and Mr. Wang or their nominees respectively.

The Consideration Shares will rank pari passu with the then existing Shares in issue and the holders of such Shares will be entitled to receive all future dividends and distributions which are to be declared, made or paid after the date of issue of the Consideration Shares.

Application will be made to the Stock Exchange for the approval of listing and permission to deal in the Consideration Shares.

## **OTHER TERMS OF THE AGREEMENT**

Pursuant to the S&P Agreement, the Vendors has unconditionally and irrevocably undertaken to the Company that for a period of 5 years following Completion, the Vendors shall not transfer, sell, mortgage, charge or otherwise dispose of or cause to be created any encumbrances over the whole or any part of the Consideration Shares, or otherwise purport to deal with the beneficial interest therein or any right in relation thereto separate from the legal interest. During the lock-up period, the Consideration Shares may be disposed of, if the Vendor have obtained prior written consent from the Company.

## **CONDITIONS**

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

- (a) the Vendors obtaining all the necessary approvals and licenses (if any) from relevant governmental and other authorities necessary for the transfer of the equity interest of Success Start;
- (b) to the satisfaction of the Purchaser of the due diligence exercises as conducted by the Purchaser;
- (c) the Company obtaining approval of issue of new shares in accordance with the Hong Kong Companies Ordinance and Companies Act of Bermuda; and
- (d) the Stock Exchange granting the approval of listing of and permission to deal in the Consideration Shares.

Completion of the S&P Agreement will take place on the third business day after the fulfilment of the conditions (or conditions could be waived if agreed by both parties), or such later date as may be agreed between the Purchaser and the Vendors.

## SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION

	<b>Immediately before Completion (number of Shares)</b>	<b>%</b>	<b>Immediately after Completion (number of Shares)</b>	<b>%</b>
Mr. Liang Jin You*	119,184,300	49.5	119,184,300	45.4
Mr. Lin	–	–	11,193,410	4.3
Mr. Wang	–	–	10,745,674	4.1
Public	121,355,200	50.5	121,355,200	46.2
	<u>240,539,500</u>	100.0	<u>262,478,584</u>	100.0

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

After the acquisition transaction, Success Start will become the Company's associate. In accordance with the Group's accounting policy, the Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment loss.

### INFORMATION ON SUCCESS START

Success Start is a company incorporated in the British Virgin Islands on 23 April 2003 and is beneficially owned as to 51% by Mr. Lin and 49% by Mr. Wang. The principal activities of Success Start is investment holding. Based on the audited consolidated accounts of Success Start prepared in accordance with Hong Kong Statements of Standard Accounting Practice with reference to the PRC accounts of福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) and北京璽圃環球生物醫藥技術有限公司 (Beijing Xipu Biotechnology Ltd), the audited consolidated net loss of Success Start during the period from 23 April 2003 (date of incorporation of Success Start) to 31 December 2003 was approximately HK\$758,629 and the audited consolidated net asset value of Success Start as at 31 December 2003 was approximately HK\$35,818,913.

Success Start holds approximately 80.17% equity interest of福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) and 87% equity interest of北京璽圃環球生物醫藥技術有限公司 (Beijing Xipu Biotechnology Ltd). Other than the two investment mentioned, Success Start has no other investments. The remaining interests of福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) and北京璽圃環球生物醫藥技術有限公司 (Beijing Xipu Biotechnology Ltd) are held by independent third parties not connected with the Company, its directors, chief executive and substantial shareholders of the Company, its subsidiaries or any of their respective associates as defined in the Listing Rules.

福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) is principally engaged in the production of medical products including transfusion, bolus, bracteole, capsule, granule, dry powder and ampoule. 北京璽圃環球生物醫藥技術有限公司 (Beijing Xipu Biotechnology Ltd) is principally engaged in the research and development, production and sales of bio-technological medical products.

One of the major products of北京 璽 圃 環 球 生 物 醫 藥 技 術 有 限 公 司 (Beijing Xipu Biotechnology Ltd) is「璽 圃 胰 島 營 養 素」 (“Xi Pu Yi Dao Ying Yan Su”), which has been launched to customers with diabetes.

## **REASON FOR THE ACQUISITION**

The Board believes that the Acquisition of a strategic equity interest in Success Start presents an excellent opportunity for the Group to diversify its existing business into medical development and manufacturing business in the PRC. As the Group expects high growth in the future development of the PRC pharmaceutical industry, the Group will therefore diversify its existing business by leveraging on acquisition of potential companies of which possessing the expertise for the respective industry.

## **GENERAL**

The Company is principally engaged in the manufacture and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services.

The S&P Agreement constitutes a share transaction under Chapter 14 of the Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 2:30 p.m. on Monday, 15 March 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Wednesday, 17 March 2004.

## **DEFINITIONS**

“Board”	the board of Directors of the Company;
“Company”	Artfield Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the S&P Agreement;
“Consideration”	HK\$17,551,267;
“Consideration Shares”	an aggregate of 21,939,084 ordinary shares of HK\$0.10 each in the issued ordinary share capital of the Company at an issue price of HK\$0.80 each;
“Director(s)”	the director(s), including the independent non-executive directors, of the Company;
“Easy Link”	Easy Link Assets Limited, a company incorporated in British Virgin Islands on 21 February 1995 with limited liability and is a wholly-owned subsidiary of the Company;

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lin”	Mr. Lin Dong Hong;
“Mr. Wang”	Mr. Wang Wen Bin;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholders”	holders of Shares;
“S&P Agreement”	a conditional sale and purchase agreement dated 15 March 2004 in relation to the acquisition of 49% equity interest of Success Start by the Purchaser from the Vendors;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Success Start”	Success Start Holdings Limited, a company incorporated in British Virgin Islands on 23 April 2003 with limited liability and is owned as to 51% by Mr. Lin and 49% by Mr. Wang;
“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC.

By order of the Board of  
**Artfield Group Limited**  
**Mr. Liang Jin You**  
*Chairman*

Hong Kong, 16 March 2004

*Translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB 1.06.*

“Please also refer to the published version of this announcement in The Standard”.