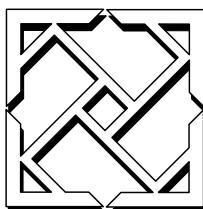


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## **ARTFIELD GROUP LIMITED**

*(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**

On 8 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 the 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 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 in general meeting by poll, at which Ms. Li and

her associates shall abstain from voting on the resolution regarding the Disposal. The Company will appoint an independent board committee comprising the independent non-executive Directors, who will be responsible for advising the Independent Shareholders the terms of the S&P Agreement. Baron Capital Limited has been appointed as an independent financial adviser to advise the Company's 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. A circular containing, among other things, further details of the Disposal and a notice of convening the SGM will be dispatched as soon as practicable.

## **S&P AGREEMENT**

### **Date**

8 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 listed below:

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

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

German Time and Smart Best will cease to be the subsidiaries of the Company following the Disposal.

### **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 Debenham Tie Leung Limited 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	8,000,000
	<hr/>
	22,000,000

Based on the unaudited balance sheet 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.

### **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.

If the conditions set out above shall not have been fulfilled for whatever reason within one month from the date of the S&P Agreement, the agreement shall become be null and void and of no effect and the deposit money shall be returned to Ms. Li without interest or compensation.

## **Use of Proceeds**

The proceeds of disposal of German Time of HK\$14,000,000 will be used to settle the mortgage loan in association with the 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 the secured term loans due by the Group to the banks.

As at the date of this announcement, 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.

## **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.

## **INFORMATION OF GERMAN TIME**

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

## **INFORMATION OF SMART BEST**

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

## **REASON FOR 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. The Directors are of the view that the Disposal will enable the Group to reduce the liabilities of the Group. The Directors also consider that the Disposal as an effective way of improving the Group's financial position without disrupting the ongoing operations of the Group. 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.

## **GENERAL**

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 in SGM, at which Ms. Li and her associates shall abstain from voting on the resolution regarding the Disposal. The Company will appoint an independent board committee comprising the independent non-executive Directors, who will be responsible for advising the Independent Shareholders the terms of the S&P Agreement. Baron Capital Limited has been appointed as an independent financial adviser to advise the Company's 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. A circular containing, among other things, further details of the Disposal and a notice of convening the SGM will be dispatched as soon as practicable.

## **DEFINITIONS**

“associate(s)”	has the meanings as ascribed pursuant to the Listing Rules
“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
“Disposal”	the disposal of the entire interests in German Time and Smart Best held by the Company

“Director(s)”	the directors of the Company, excluding the independent non-executive Directors, their opinion will be set out in the circular to be dispatched to the Shareholders
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Independent Shareholder(s)”	Shareholders other than Ms. Li and her associates as defined in the Listing Rules
“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 8 September 2004 entered into between the Company as the vendor and Ms. Li as the purchaser in relation to the Disposal
“SGM”	the special general meeting of shareholders of the Company
“Shareholders”	the shareholders of the Company
“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

By order of the Board  
**Liang Jin You**  
*Chairman*

Hong Kong, 10 September, 2004

As at the date of this announcement, 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 non-executive director is Mr. LO Wah Wai and the independent non-executive directors are Mr. LO Ming Chi, Charles and Mr. CHEUNG Doi Shu.

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