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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 of 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 to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the 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 TRANSACTION**

**DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF  
CITY BRIGHT INTERNATIONAL LIMITED**

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A letter from the board of directors of Artfield Group Limited is set out on pages 3 to 6 of this circular.

7 July 2006

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:*

“Accounts Date”	31 March 2006, the dated of the pro forma management accounts of the Target Companies
“Announcement”	the announcement dated 15 June 2006 and issued by the Company in relation to the Disposal
“associates”	has the same meaning ascribed to such term under the Listing Rules
“Board”	board of the Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“City Bright International”	City Bright International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	Artfield Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of Completion
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal by the Vendor of the Sale Shares subject to and upon the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Wong Chi Wai Edgar, the beneficial owner of the entire issued share capital of the Purchaser
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

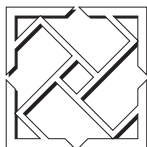
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“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are third parties independent of the Group and their connected persons in accordance with the Listing Rules
“Intellectual Property”	any Hong Kong, PRC and Macau patents, designs, copyrights, trade marks, service marks, trade names, internet domain name of any level and all other intellectual property rights which may subsist in any part of the said region
“Latest Practicable Date”	4 July 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Bright International Investment Holdings Limited, a company incorporated in Hong Kong and the entire share capital of which is wholly and beneficially owned by the Guarantor
“Sale Shares”	2,000,000 shares of HK\$1.00 each, representing the entire issued capital of City Bright International
“SFO”	Securities and Futures Ordinance, Cap.571 of the Laws of 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 Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	City Bright International and its wholly owned subsidiary City Bright Lighting (Shenzhen) Co. Ltd.
“Vendor”	Artfield Company Limited, a directly wholly owned subsidiary of the Company and the vendor of the Sale Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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# ARTFIELD GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1229)

*Executive Directors:*

Mr LIANG Jin You (*Chairman & Managing Director*)

Ms LI Kwo Yuk (*Deputy Chairman*)

Mr LEUNG Kin Yau

Mr OU Jian Sheng

Mr DENG Ju Neng

Mr CHEN, Vee Yong Frederick

Mr Lee Sang Yoon

*Independent non-executive Directors:*

Mr LO Ming Chi, Charles

Mr LO Wah Wai

Mr ORR, Joseph Wai Shing

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal place of business*

*in Hong Kong:*

13th Floor

Universal Industrial Centre

19-21 Shan Mei Street

Fo Tan, Shatin

New Territories

Hong Kong

7 July 2006

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

## DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF CITY BRIGHT INTERNATIONAL LIMITED

### INTRODUCTION

Reference is made to the Announcement in which the Board announced that the Vendor has entered into the Agreement with the Purchaser and the Guarantor in relation to, among other matters, the Disposal.

The Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other matters, further details on the Disposal.

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## LETTER FROM THE BOARD

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### THE AGREEMENT

Date: 12 June 2006

Parties:

Purchaser: Bright International Investment Holdings Limited

Vendor: Artfield Company Limited

Guarantor: Wong Chi Wai Edgar

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner, the Guarantor is an Independent Third Party.

### Assets to be disposed of

The Sale Shares being 2,000,000 shares of HK\$1.00 each in the share capital of City Bright International, representing the entire issued share capital of City Bright International.

### Consideration

The consideration for the Disposal is HK\$3,874,174 and shall be settled by the Purchaser in the manner as follows:

- (1) setting off the net amount of the indebtedness owed by the Group to the Target Companies being HK\$3,060,491 as at the Accounts Dated on Completion;
- (2) paying to the Vendor by way of transferring to the Vendor the amount of tax refund receivable by the Target Companies from the relevant tax authorities being HK\$406,652 as at the Accounts Date when such tax refund are received by the Target Companies; and
- (3) paying to the Vendor the remaining HK\$407,031 within seven Business Days upon written demand by the Vendor after Completion.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement and have taken into account (i) the financial performance of the Target Companies for the two financial years ending 31 March 2004 and 31 March 2005 which recorded net profit totalling about HK\$10,264 and HK\$333,603 respectively; (ii) the financial performance of the Target Companies for the year ended 31 March 2006 based on its unaudited management accounts made up to 31 March 2006 which recorded losses totalling about HK\$32,635; (iii) the aggregate of the negative net assets of the Target Companies of approximately HK\$410,792 as shown in its unaudited management accounts made up to 31 March 2006; (iv) the inter-company balances between the Target Companies and other members of the Group as at 31 March 2006; and (v) the difficult operating environment with a decrease in sales turnover and an increase in operating costs coupled with strong competition in this industry.

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## LETTER FROM THE BOARD

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Such consideration represents an excess of HK\$4,284,966 over the net book value of the Sale Shares.

Further, the Guarantor has guaranteed to the Vendor all the obligations of the Purchaser under the Sale and Purchase Agreement.

Based on the reasons set out above, the Directors consider the consideration for the Disposal to be fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole.

### **Conditions precedent**

The Completion is not subject to any condition precedent.

### **Completion**

Completion had taken place on 23 June 2006.

After Completion, the Group has ceased holding any interests in the Target Companies and the Target Companies have ceased to be subsidiaries of the Company. There is no restriction as to subsequent sale of the Sale Shares.

### **INFORMATION ON THE TARGET COMPANIES**

City Bright International was incorporated in Hong Kong with limited liability and is principally engaged in investment holding and is the holding company of its sole subsidiary, City Bright Lighting (Shenzhen) Co. Ltd, which is principally engaged in the manufacturing of energy saving lamps.

As at the Accounts Date, the Target Companies have a negative net asset value of about HK\$410,792. For the two financial years ending 31 March 2004 and 31 March 2005, the net profit before taxation and extraordinary items of the Target Companies were about HK\$23,072 and HK\$333,603 respectively and the net profit after taxation and extraordinary items of the Target Companies were about HK\$10,264 and HK\$333,603 respectively.

As at the Accounts Date, the principal assets of the Target Companies were cash, accounts receivables and stocks of approximately HK\$407,031, HK\$4,197,753 and HK\$3,959,264 respectively and the principal liabilities of the Target Companies were trade payables of approximately HK\$8,865,988.

### **REASONS FOR THE DISPOSAL**

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

The Directors consider the terms of the Sale and Purchase Agreement were entered into by the parties thereto after arm's length negotiations and on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Company and its shareholders are concerned.

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## LETTER FROM THE BOARD

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As stated in the interim report of the Group made up to 30 September 2005, the lighting division of the Group (which the Target Companies belong to), has been operating in a difficult environment with a decrease in sales turnover and an increase in operating costs coupled with strong competition in this industry. The Group's efforts in improving its profitability have turned out in vain where the Target Companies recorded losses and according to the unaudited management accounts of the Target Companies made up to 31 March 2006, the Target Companies recorded losses of about HK\$32,635 for the year ended 31 March 2006.

The Directors consider that the Disposal provides an ideal opportunity for the Group to dispose of its loss making operations (which have been facing strong competition in the industry with a decrease in sales turnover and an increase in operating costs) and allow the Group to reallocate its resources and to concentrate on the Group's other existing businesses including (1) clocks and other related products, (2) trading of metals, and (3) provision of electroplating services. Regarding the online computer game which the Group has recently acquired, it is currently under testing stages and is expected to be available for release to the public at the end of 2006 or early 2007. Please refer to the announcement and the circular of the Company dated 24 March 2006 and 12 April 2006 respectively for further details relating to the online computer game.

### **FINANCIAL EFFECT OF THE DISPOSAL**

It is estimated that, upon Completion, the Group will record a gain on disposal of approximately HK1,874,000 and an increase of the net current assets of approximately HK\$410,792 which will be reflected in the consolidated financial statements of the Group in the year ending 31 March 2007. Save as the above, there will be no material impact on the Group's earnings, assets and liabilities after the Disposal.

The net proceeds will be used by the Group as general working capital.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendix of this circular.

By order of the Board  
**Artfield Group Limited**  
**LIANG Jin You**  
*Chairman*



## 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director	Note	Nature of interest	Number of issued shares held	Approximate percentage or attributate percentage of shareholdings (%)
Mr LIANG Jin You	1	Held by controlled corporation	119,184,300 (L)	39.14
Mr Lee Sang Yoon		Beneficial owner	7,000,000 (L)	2.30

*(L) Long position*

Notes:

- 119,184,300 Shares are owned by Golden Glory Group Limited, which is a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Glory Group Limited is beneficially owned by General Line International (Holdings) Limited, which is wholly owned by Mr Liang Jin You.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, 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 other member of the Group:

*(i) Substantial shareholders of the Company:*

Name of Shareholder	Note	Nature of interest	Number of issued shares held	Approximate percentage or attribute percentage of shareholdings (%)
Golden Glory Group Limited		Beneficial owner	119,184,300 (L)	39.14
General Line International (Holdings) Limited	1	Held by controlled corporation	119,184,300 (L)	39.14

*(L) Long position*

*Note:*

- 119,184,300 Shares are owned by Golden Glory Group Limited, which is a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Glory Group Limited is beneficially owned by General Line International (Holdings) Limited, which is wholly owned by Mr Liang Jin You.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, 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 other member of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service agreement with any member of the Group, which will expire or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

### 4. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company are as follows:

<i>Authorised:</i>	<i>HK\$</i>
900,000,000 Shares	90,000,000.00
	<u><u>90,000,000.00</u></u>
<i>Issued and fully paid:</i>	
304,478,584 Shares in issue as at the Latest Practicable Date	30,447,858.40
	<u><u>30,447,858.40</u></u>

### 5. LITIGATION

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

### 6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

**7. MISCELLANEOUS**

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrar Limited of 311-312 Two Exchange Square, Central, Hong Kong.
- (d) The secretary and qualified accountant of the Company is Mr Lau King Pong who is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.