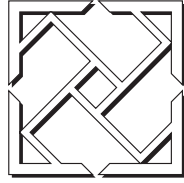


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ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

**(1) MAJOR AND CONNECTED TRANSACTION
INVOLVING THE DISPOSAL OF
ROYAL SUCCESS ENTERPRISES LIMITED,
ULTRA GOOD ELECTROPLATING LIMITED, AND
ARTFIELD INDUSTRIES (SHENZHEN) LTD.**

AND

**(2) CONTINUING CONNECTED TRANSACTION
INVOLVING THE ENTERING INTO TWO SUPPLY AGREEMENTS WITH
ROYAL SUCCESS ENTERPRISES LIMITED,
ULTRA GOOD ELECTROPLATING LIMITED, AND
ARTFIELD INDUSTRIES (SHENZHEN) LTD.**

AND

(3) RESUMPTION OF TRADING

On 29 January 2007, the Group, through its wholly owned subsidiary ACL, entered into the First Disposal Agreement with the First Purchaser and the Guarantor in relation to the disposal of the RS Shares, the RS Debt, the UG Shares and the UG Debt for an aggregate consideration of HK\$11,636,694; and through its wholly owned subsidiary AMCL, entered into the Second Disposal Agreement with the Second Purchaser and the Guarantor in relation to the disposal of the AI Capital and the AI Debt for an aggregate consideration of HK\$27,424,126.

On the same date, AMCL entered into the First Supply Agreement with RS and UG in relation to the sale of wooden products and electroplating services by RS and UG respectively to AMCL and the Second Supply Agreement with AI in relation to the sale of clocks, timepieces, gift and premium products by AI to AMCL. The Supplies will be effective from the Commencement Date or 1 April 2007 whichever is later for a term of two years ending on 31 March 2009.

The Disposals constitute a major transaction on the part of the Company under the Listing Rules. As both the First Purchaser and the Second Purchaser are solely owned by Mr. Liang, an executive Director and Chairman of the Company and a controlling shareholder (as defined under the Listing Rules) of the Company, the Disposals also constitute a connected transaction on the part of the Company under the Listing Rules. The First Disposal Agreement and the Second Disposal Agreement will be subject to Independent Shareholders' approval at the SGM to be convened and held by the Company.

Upon Completion, RS will be wholly owned and UG will be owned as to 79.75% by the First Purchaser whereas AI will be wholly owned by the Second Purchaser. The Annual Caps of the First Supply Agreement and the Second Supply Agreement for the two financial years of the Company ending 31 March 2008 and 2009 are HK\$10 million and HK\$7.5 million for the First Supply Agreement and HK\$32.5 million and HK\$26 million for the Second Supply Agreement respectively. The First Supply Agreement and the Second Supply Agreement and the transactions contemplated thereunder therefore constitute a non-exempt continuing connected transaction on the part of the Company under Rule 14A.35 the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 48 of the Listing Rules. The First Supply Agreement, the Second Supply Agreement and the Annual Caps will be subject to Independent Shareholders' approval at the SGM to be convened and held by the Company.

A circular containing, among other things, further details of the Agreements and the transactions contemplated thereunder and the Annual Caps, the letter of advice from Baron to the IBC and the Independent Shareholders, the recommendation of the IBC to the Independent Shareholders, the Properties Valuation Report together with the notice of the SGM will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 30 January 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 February 2007.

1. THE FIRST DISPOSAL AGREEMENT

Date: 29 January 2007

Parties: (1) Vendor : ACL

(2) Purchaser : The First Purchaser

(3) Guarantor: Mr. Liang

The First Purchaser is a company incorporated in the British Virgin Islands on 8 December 2006 with limited liability and is solely and beneficially owned by Mr. Liang. It has not commenced any business activity and will be used as the holding company of RS Group and UG Group by Mr. Liang.

Assets to be disposed of:

The RS Shares, representing the entire issued share capital of RS held indirectly by the Company and the RS Debt, being the amount which is due and owing by RS Group to the Company as at the Accounts Date (subject to adjustment on the date of Completion); and the UG Shares, representing the entire 79.75% issued share capital of UG held indirectly by the Company and the UG Debt, being the amount which is due and owing by UG Group to the Company as at the Accounts Date (subject to adjustment on the date of Completion).

Consideration:

The First Disposal Consideration for the disposal of the RS Shares, the RS Debt, the UG Shares and the UG Debt is HK\$11,636,694 (comprising the RS Consideration of HK\$5,471,117, in which HK\$1 being the consideration for the sale and purchase of the RS Shares and HK\$5,471,116 being the consideration for the RS Debt (which is calculated by setting off the RS Debt of HK\$9,773,115 and the adjusted net liabilities of RS Group of HK\$4,301,999) and the UG Consideration of HK\$6,165,577, being HK\$4,954,256 and HK\$1,211,321 for the sale and purchase of the UG Shares and the UG Debt respectively) and shall be paid by the First Purchaser in cash in the manner as follows:

1. HK\$1,100,000 was paid by the First Purchaser to ACL as deposit and part payment of the First Disposal Consideration upon the signing of the First Disposal Agreement;
2. HK\$2,200,000 shall be paid by the First Purchaser to ACL at Completion; and
3. the balance of the First Disposal Consideration of HK\$8,336,694 shall be paid by the First Purchaser to ACL within 1 year after Completion.

The First Disposal Consideration was arrived at after arm's length negotiations between the parties to the First Disposal Agreement based on the net liabilities of RS Group and net asset value of UG Group as at the Accounts Date and adjusted by the difference of the asset value of the properties, plants and equipments and inventories of RS Group and UG Group attributable to the Group as at 31 December 2006 based on the Valuation Reports prepared by Dudley Surveyors and the difficult operating environment with a decrease in sales turnover and an increase in operating and overhead costs coupled with strong competition in the industries. Please refer to the section headed "Reasons for the Disposals and the Supplies" for further information on the difficult operating environment.

As the relevant industries have been facing adverse market conditions and the disposed of companies consist substantially of fixed assets established for specific purposes and obsolete inventories, and further taking into account of the non-competition Undertaking given by Mr. Liang, upon Completion the First Purchaser will have added hardship in looking for new buyers for their products, the Board therefore considers it would be in the interests of the Company to require the payment of the balance within 1 year after Completion so that the Disposals and the Supplies could take place.

RS Group

Net asset value (liabilities) as at the Accounts Date <i>comprising asset value of the properties, plants and equipments and inventories valuation as at 31 December 2006</i>	HK\$(694,321)
	HK\$25,007,678
	<u>HK\$21,400,000</u>
<i>difference</i>	HK\$(3,607,678)
Adjusted net asset value (liabilities)	<u>HK\$(4,301,999)</u>

UG Group

Net asset value as at the Accounts Date <i>comprising asset value of the properties, plants and equipments and inventories valuation as at 31 December 2006</i>	HK\$8,504,718
	HK\$10,892,484
	<u>HK\$8,600,000</u>
<i>difference</i>	HK\$(2,292,484)
Adjusted net asset value	<u>HK\$6,212,234</u>
The Group's 79.75% interest in UG Group	<u>HK\$4,954,256</u>

As at the Accounts Date, the RS Debt and the UG Debt were HK\$9,773,115 and HK\$1,211,321 respectively. Pursuant to the First Disposal Agreement, ACL has undertaken to the First Purchaser that at Completion, both the RS Debt and the UG Debt will not exceed 10% or fall below more than 10% of their respective amounts as at the Accounts Date. The exact consideration of the RS Debt and the UG Debt will be adjusted on a dollar-for-dollar basis between the difference of their respective amounts as at the Accounts Date and at Completion and settled within three months after Completion by the respective parties.

Mr. Liang as the Guarantor has guaranteed to ACL all the obligations of the First Purchaser under the First Disposal Agreement.

Based on the reasons set out above, the Board considers the First Disposal Consideration to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions

The First Disposal Agreement is conditional upon the following conditions being satisfied on or before the Long Stop Date or such other date as the parties thereto may agree:

1. the passing by the Independent Shareholders at the SGM an ordinary resolution to approve the First Disposal Agreement and the transactions contemplated thereunder;
2. the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the First Supply Agreement and the transactions contemplated thereunder;
3. all necessary consents, authorisations, licences and approvals required to be obtained on the part of ACL in respect of the First Disposal Agreement and the transactions contemplated thereunder having been obtained;

4. the warranties given by the First Purchaser remaining true and accurate in all respects; and
5. the Second Disposal Agreement becoming unconditional (other than the condition that the First Disposal Agreement becoming unconditional).

If the above conditions have not been satisfied on or before the Long Stop Date or such other date as the parties thereto may agree, the First Disposal Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof, and the HK\$1,100,000 paid as deposit will be returned to the First Purchaser in cash without interest within seven Business Days after the expiry of the Long Stop Date if the failure to satisfy any of the above conditions were the result of the sole default of ACL.

Completion

Completion will take place on the second Business Day after satisfaction of the above conditions. If ACL shall fail to complete the sale and purchase of the RS Shares, the RS Debt, the UG Shares and the UG Debt in accordance with the terms of the First Disposal Agreement, ACL shall return the HK\$1,100,000 paid as deposit to the First Purchaser in cash without interest within seven Business Days after the scheduled date of Completion.

At Completion, the First Purchaser shall execute the First Charge charging the RS Shares and the UG Shares in favour of ACL as security for the balance of the First Disposal Consideration of HK\$8,336,694. The First Charge will be released upon payment of such balance in accordance with the terms of the First Disposal Agreement. Save for the First Charge, there is no restriction as to subsequent sale of RS Shares and UG Shares.

Upon Completion, and save for the First Charge, the Group will cease holding any interests in RS Group and UG Group and each of their respective members will cease to be a subsidiary of the Company.

The remaining 20.25% interest in UG is held by Fu Chang Trading Limited, a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Fu Chang Trading Limited and its ultimate beneficial owners is an Independent Third Party.

2. THE SECOND DISPOSAL AGREEMENT

Date: 29 January 2007

Parties: (1) Vendor : AMCL
(2) Purchaser : The Second Purchaser
(3) Guarantor: Mr. Liang

The Second Purchaser is a company incorporated in Hong Kong on 5 October 2006 with limited liability and is solely and beneficially owned by Mr. Liang. It has not commenced any business activity and will be used as the holding company of AI by Mr. Liang.

Assets to be disposed of:

The AI Capital, representing the entire contributed capital in the registered and paid up equity capital of AI.

AMCL will also dispose of the AI Debt, being the amount which is due and owing by the Company to AI as at the Accounts Date (subject to adjustment on the date of Completion).

Consideration:

The Second Disposal Consideration for the disposal of the AI Capital and AI Debt is HK\$27,424,126, (being the AI Consideration of HK\$30,291,887 less the consideration of AI Debt of HK\$2,867,761 to be novated by AMCL to the Second Purchaser) and shall be paid by the Second Purchaser in cash in the manner as follows:

1. HK\$2,700,000 was paid by the Second Purchaser to AMCL as deposit and part payment of the Second Disposal Consideration upon the signing of the Second Disposal Agreement;
2. HK\$5,400,000 shall be paid by the Second Purchaser to AMCL at Completion; and
3. the balance of the Second Disposal Consideration of HK\$19,324,126 shall be paid by the Second Purchaser to AMCL within 1 year after Completion.

The Second Disposal Consideration was arrived at after arm's length negotiations between the parties to the Second Disposal Agreement based on the net asset value of AI as at the Accounts Date and adjusted by the difference of the asset value of the properties, plants and equipments and inventories of AI as at 31 December 2006 based on the Valuation Reports prepared by Dudley Surveyors and the difficult operating environment with a decrease in sales turnover and an increase in operating and overhead costs coupled with strong competition in the industry. Please refer to the section headed "Reasons for the Disposals and the Supplies" for further information on the difficult operating environment.

As the relevant industries have been facing adverse market conditions and the disposed of company consist substantially of fixed assets established for specific purposes and obsolete inventories, and further taking into account of the non-competition Undertaking given by Mr. Liang, upon Completion the Second Purchaser will have added hardship in looking for new buyers for their products, the Board therefore considers it would be in the interests of the Company to require the payment of the balance within 1 year after Completion so that the Disposals and the Supplies could take place.

AI

Net asset value as at the Accounts Date		HK\$69,318,649
<i>comprising asset value of the properties, plants</i>		
<i>and equipments and inventories</i>	<i>HK\$77,826,762</i>	
<i>valuation as at 31 December 2006</i>	<u><i>HK\$38,800,000</i></u>	
<i>difference</i>	<i>HK\$(39,026,762)</i>	
Adjusted net asset value		HK\$30,291,887

As at the Accounts Date, the AI Debt was HK\$2,867,761. Pursuant to the Second Disposal Agreement, AMCL has undertaken to the Second Purchaser that at Completion, the AI Debt will not exceed 10% or fall below more than 10% of its amounts as at the Accounts Date. The exact consideration of the AI Debt will be adjusted on a dollar-for-dollar basis between the difference of its amounts as at the Accounts Date and at Completion and settled within three months after Completion by the respective parties.

Mr. Liang as the Guarantor has guaranteed to AMCL all the obligations of the Second Purchaser under the Second Disposal Agreement.

Based on the reasons set out above, the Board considers the Second Disposal Consideration to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions

The Second Disposal Agreement is conditional upon the following conditions being satisfied on or before the Long Stop Date or such other date as the parties thereto may agree:

1. the passing by the Independent Shareholders at the SGM an ordinary resolution to approve the Second Disposal Agreement and the transactions contemplated thereunder;
2. the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Second Supply Agreement and the transactions contemplated thereunder;
3. all necessary consents, authorisations, licences and approvals required to be obtained on the part of AMCL in respect of the Second Disposal Agreement and the transactions contemplated thereunder having been obtained;
4. the warranties given by the Second Purchaser remaining true and accurate in all respects; and
5. the First Disposal Agreement becoming unconditional (other than the condition that the Second Disposal Agreement becoming unconditional).

If the above conditions have not been satisfied on or before the Long Stop Date or such other date as the parties thereto may agree, the Second Disposal Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof, and the HK\$2,700,000 paid as deposit will be returned to the Second Purchaser in cash without interest within seven Business Days after the expiry of the Long Stop Date if the failure to satisfy any of the above conditions were the result of the sole default of AMCL.

Completion

Completion will take place on the second Business Day after satisfaction of the above conditions. If AMCL shall fail to complete the sale and purchase of the AI Capital and the AI Debt in accordance with the terms of the Second Disposal Agreement, AMCL shall return the HK\$2,700,000 paid as deposit to the Second Purchaser in cash without interest within seven Business Days after the scheduled date of Completion.

At Completion, the Second Purchaser shall execute the Second Charge charging the AI Capital in favour of AMCL as security for the balance of the Second Disposal Consideration of HK\$19,324,126. The Second Charge will be released upon payment of such balance in accordance with the terms of the Second Disposal Agreement. Save for the Second Charge, there is no restriction as to subsequent sale of the AI Capital.

Upon Completion, and save for the Second Charge, the Group will cease holding any interests in AI and AI will cease to be a subsidiary of the Company.

3. THE FIRST SUPPLY AGREEMENT

Date: 29 January 2007

Parties: (1) Suppliers : RS and UG

(2) Purchaser : AMCL

Nature:

With effect from the Commencement Date, RS will sell to AMCL wood products and UG will provide AMCL electroplating services on a non-exclusive basis.

Consideration:

The prices for the wood products will depend on the type and nature of the wood products to be supplied and based on the ex-factory purchase price with reference to the existing prices of similar products in the market.

The prices for the provision of electroplating services will depend on the type and nature of the services to be provided and determined on an order-by-order basis with reference to the existing prices of similar services in the market.

Conditions

The First Supply Agreement is conditional upon the following conditions being satisfied on or before the Long Stop Date or such other date as the parties thereto may agree:

1. the passing by the Independent Shareholders at the SGM an ordinary resolution to approve the First Supply Agreement and the transactions contemplated thereunder;
2. all necessary consents, authorizations, licences and approvals required to be obtained on the part of the RS and UG in respect of the First Supply Agreement having been obtained; and
3. completion of the First Disposal Agreement.

If the above conditions have not been satisfied on or before the Long Stop Date or such other date as the parties thereto may agree, the First Supply Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Commencement and term:

The Commencement Date of the First Supply Agreement will be the second Business Day after the satisfaction of all the above conditions or 1 April 2007 whichever is later.

The First Supply Agreement will have a term of two years from the Commencement Date to 31 March 2009 unless terminated by a party thereto giving notice to the other party if:

1. the other party commits any continuing or material breach of the First Supply Agreement and failed to rectify such breach;
2. a substantial part of the other party's property or assets have been taken possession by a third party;
3. the other party makes any voluntary arrangement with its creditor or becomes subject to an administrative order;
4. the other party goes into liquidation; or
5. the other party ceases, or threatens to cease, to carry on all or a substantial part of its business.

Annual Caps:

The Annual Caps of the First Supply Agreement for the two financial years of the Company ending 31 March 2008 and 2009 are HK\$10 million and HK\$7.5 million respectively and are calculated based on the turnover of the products and services provided by RS and UG for the financial year of the Company ended 31 March 2006 and the six months ended 30 September 2006 of about HK\$23.4 million and HK\$7.4 million respectively, taking into account the current and the anticipated difficult operating environment in the industries in future as explained in the section headed "Reasons For The Disposals And The Supplies" below.

The Board considers the Annual Caps to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

4. THE SECOND SUPPLY AGREEMENT

Date: 29 January 2007

Parties: (1) Supplier : AI

(2) Purchaser : AMCL

Nature:

With effect from the Commencement Date, AI will sell to AMCL clocks, timepieces, gift and premium products on a non-exclusive basis.

Consideration:

The prices for the clocks, timepieces, gift and premium products will depend on the type and nature of such products to be supplied and based on the ex-factory purchase price with reference to the existing prices of similar products in the market.

Conditions

The Second Supply Agreement is conditional upon the following conditions being satisfied on or before the Long Stop Date or such other date as the parties thereto may agree:

1. the passing by the Independent Shareholders at the SGM an ordinary resolution to approve the Second Supply Agreement and the transactions contemplated thereunder;
2. all necessary consents, authorizations, licences and approvals required to be obtained on the part of AI in respect of the Second Supply Agreement having been obtained; and
3. completion of the Second Disposal Agreement.

If the above conditions have not been satisfied on or before the Long Stop Date or such other date as the parties thereto may agree, the Second Supply Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Commencement and term:

The Commencement Date of the Second Supply Agreement will be the second Business Day after the satisfaction of all the above conditions or 1 April 2007 whichever is later.

The Second Supply Agreement will have a term of two years from the Commencement Date to 31 March 2009 unless terminated by a party thereto giving notice to the other party if:

1. the other party commits any continuing or material breach of the Second Supply Agreement and failed to rectify such breach;
2. a substantial part of the other party's property or assets have been taken possession by a third party;
3. the other party makes any voluntary arrangement with its creditor or becomes subject to an administrative order;
4. the other party goes into liquidation; or
5. the other party ceases, or threatens to cease, to carry on all or a substantial part of its business.

Annual Caps:

The Annual Caps of the Second Supply Agreement for the two financial years of the Company ending 31 March 2008 and 2009 are HK\$32.5 million and HK\$26 million respectively and are calculated based on the turnover of the products by AI for the financial year of the Company ended 31 March 2006 and the six months ended 30 September 2006 of about HK\$52.2 million and HK\$20.3 million respectively, taking into account the current and the anticipated difficult operating environment in the industry in future as explained in the section headed “Reasons For The Disposals And The Supplies” below.

The Board considers the Annual Caps to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5. NON-COMPETITION UNDERTAKING

It is a requirement under the First Disposal Agreement and the Second Disposal Agreement that at Completion, the Guarantor shall execute the Undertaking in favour of the Company for a term of two years with effect from the date of Completion.

Pursuant to the Undertaking, the Guarantor guarantees to the Company that during the continuance of the Undertaking, he will not and he will procure RS Group, UG Group and AI not to provide electroplating services or sell wooden products, clocks, timepieces, gift and premium products to any existing OEM customers of the Group unless such opportunity has been offered to the Company on terms no less favourable than the terms on which such opportunity is offered to the Guarantor, RS Group, UG Group or AI, as the case may be, by such existing OEM customers of the Group and the Company had decided not to accept such opportunity.

The Board considers that the Undertaking to be given by the Guarantor to be fair and reasonable and in the interests of the Group and the Shareholders as a whole to protect its existing customers base.

6. INFORMATION ON RS GROUP, UG GROUP AND AI

RS was incorporated in Hong Kong with limited liability and is the holding company of its sole subsidiary, RS Subsidiary, which is principally engaged in the manufacturing of wood products. RS Subsidiary is the legal owner of the RS Property. RS Property consists of a factory complex located at Haojing Road, side of Shanzhoujia Road, Gaoming District, Foshan, PRC for production, storage and staff accommodation uses.

The audited net book value of RS Group as at 31 March 2006 was HK\$153,351 and the unaudited net liability of RS Group as at 30 September 2006 was HK\$694,321.

For the two financial years ended 31 March 2005 and 31 March 2006, the net profit/(loss) before taxation and extraordinary items of RS Group were about (HK\$1,266,366) and HK\$692,716 respectively; and the net profit/(loss) after taxation and extraordinary items of RS Group were about (HK\$1,262,773) and HK\$661,300 respectively.

UG was incorporated in Hong Kong with limited liability and is the holding company of its sole subsidiary, UG Subsidiary, which is principally engaged in the provision of electroplating services. UG Subsidiary is the legal owner of the UG Property. UG Property consists of a factory complex located at Dahuangshan Village, Shajing Town, Baoan District, Shenzhen, PRC for production, storage and staff accommodation uses.

The audited net book value of UG Group as at 31 March 2006 was HK\$34,503,423 and the unaudited net book value of UG Group as at 30 September 2006 was HK\$8,504,718.

For the two financial years ended 31 March 2005 and 31 March 2006, the net profit before taxation and extraordinary items of UG Group were about HK\$1,556,524 and HK\$3,651,280 respectively and the net profit after taxation and extraordinary items of UG Group were about HK\$1,685,117 and HK\$2,198,241 respectively.

AI was a wholly foreign owned enterprise established in the PRC with limited liability and is principally engaged in the manufacturing of clocks, timepieces, gift and premium products. AI is the legal owner of the AI Property. AI Property consists of a factory complex located at Fuchengao Village, Pinghu Town, Longgang District, PRC for production, storage and staff accommodation uses.

The audited net book value of AI as at 31 March 2006 was HK\$113,655,635 and the unaudited net book value as at 30 September 2006 was HK\$69,318,649.

For the two financial years ended 31 March 2005 and 31 March 2006, the net profit/(loss) before taxation and extraordinary items of AI were about (HK\$9,137,287) and HK\$3,022,832 respectively and the net profit/(loss) after taxation and extraordinary items of AI were about (HK\$9,137,287) and HK\$2,991,907 respectively.

7. REASONS FOR THE DISPOSALS AND THE SUPPLIES

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. After the Disposals, the Group will focus on its existing marketing and trading of clocks, timepieces, gift and premium products and the trading of metals businesses. The Group is expected to launch its massively multiplayer online role-playing computer game registered as “Shanghai Storm” in the PRC, Hong Kong and Macau around June 2007 and will therefore enter into the on-line computer game industry.

The Group has been undergoing a very difficult operating environment in the current financial year with a decrease in sales turnover and an increase in operating and overhead costs coupled with strong competition in the industries.

In view of the sharp increase in raw materials and energy costs in recent years and the continuous appreciation of Renminbi, the operating and production costs of the Group’s manufacturing bases located in the PRC have been increasing.

Further, the Group has been adversely affected by the EU Directive on the restriction of use and the prohibition of the presence of certain hazardous substances in electrical and electronic equipment which became effective from 1 July 2006. The effect of the EU Directive has prevented the Group from concluding certain sales with its European buyers as some of the Group’s inventories in raw materials, work-in-progress and finished goods products could not meet with the requirements of the EU Directive.

The Group realised that the cost of the products is of paramount importance to enable the Group to increase its sales and that the existing manufacturing operations, which have not been operating in full capacities in recent years, may not be so well positioned to enable the Group to lead and compete in the market place. The Board considers that the significant costs for upgrading the existing facilities to compete with newly established competitors in manufacturing operations would not be in the financial and commercial interests of the Group. The Board has resolved to refocus its business operation into developing marketing and trading of its own design and brand products and dispose of its manufacturing facilities, taking into account the Group can readily place, which it has been placing from time to time, production orders to other manufacturing companies which the Group's existing manufacturing facilities are not equipped to or economically viable to produce.

As a result, the Group has been looking for potential buyers of the Group's manufacturing operations, including looking into alternative source of sourcing the products, with a view to reducing the cost so as to improve the competitiveness of the Group's products in the market place.

After thorough discussions among the Directors, the Board considered the offer by Mr. Liang to acquire the existing manufacturing operations of the Group currently held by RS, UG and AI and to supply the products produced by RS, UG and AI to the Group for trading and marketing thereafter for an initial term of two years to be an ideal opportunity of the Group to reallocate and substantially free up its resources and fixed assets, to refocus its operation into marketing and trading of general, branded and premium products instead of manufacturing of products.

Since the values of RS Group, UG Group and AI primarily consist of factory complexes, machineries and equipments located in the PRC established for specific production purposes, and raw materials and inventories with limited marketability, without Mr. Liang's offer, the Board had considered the alternative of winding down the manufacturing bases in view of the rising costs and out-of-date facilities and inventories, which will be time consuming and costly. However, the Disposals will allow the Group to realise immediately available funds of about HK\$11.4 million for the Group's general working capital and the balance of about HK\$27.6 million within one year after Completion to further enhance the adequacy of the Group's general working capital position.

For the Group to maintain an initial source of products after the Disposals, the Group has entered into the Supplies arrangement which provide the Group with the benefit and the flexibility of placing orders to RS, UG, AI, or other manufacturing companies, which provide the most competitive offers to the Group.

The Group plans to refocus its business operations into developing marketing and trading of its own design and brand products by concentrating its management resources in the development of new own design and brand products and new marketing networks. Further details will be set out in the circular to be dispatched to the Shareholders in accordance with the Listing Rules.

After completion of the Disposals, the principal business of the Group will focus on its existing marketing and trading of clocks, timepieces, gift and premium products and the trading of metals businesses, which have been the major and principal sources of income of the Group, and in view of the coming launch of "Shanghai Storm" this summer, the Board considers it will provide an additional income source for the Group. The Board confirms that the Disposals will not have any material adverse effect to the existing principal business of the Group.

The principal assets of the Group immediately after the Disposals consist of its (1) existing and established overseas sales networks in U.K., Germany, the U.S.A. and the PRC operating through various members of the Group, (2) brand names “Wehrle”, “Artex” and “KLIK”, (3) properties held by various members of the Group including interests in leasehold land and building, (4) various investments properties and (5) the intellectual property and goodwill in “Shanghai Storm”. The audited net book values of items (3) and (4) above as at 31 March 2006 amount to approximately HK\$17.8 million and the unaudited net book values as at 30 September 2006 of item (5) above amount to approximately HK\$50.4 million.

The principal business segments and the principal source of revenue of the Group following the Disposals comprise (1) clocks and other office related products; (2) lighting products; and (3) trading of metals. Their respective historical contribution to the Group’s turnover for the six months ended 30 September 2006 were approximately HK\$66.2 million, HK\$4.1 million and HK\$14.0 million representing approximately 78.5%, 4.9% and 16.6% of the Group’s unaudited turnover for the said period.

In relation to “Shanghai Storm”, in addition to the lifetime maintenance, technical support and upgrade services provided by Cubicsoft, the creator of “Shanghai Storm”, the Group has entered into agreements with CECT pursuant to which CECT will develop, manage and operate the internet platform for “Shanghai Storm” in the PRC. Further, Mr. Lee, being a director and a substantial shareholder of Cubicsoft familiar with the on-line computer game industry and “Shanghai Storm”, has been appointed as a Director to share his expertise with the Board, details of which have all been set out in the announcement dated 24 March 2006 and the circular dated 12 April 2006 issued by the Company. In addition, the Group has a senior management team of four experienced in this industry to oversee and manage the coming commercial launch of “Shanghai Storm”. Accordingly, the Board considers there are sufficient expertise to manage “Shanghai Storm”. Currently, the game is under final testing by Cubicsoft, and the Board expects it will be commercially launched this summer in Hong Kong, Macau and the PRC and thereafter will generate income for the Group.

The Board considers that after the Disposals, the future business prospects of the Group will be improved as the Group will have disposed of its manufacturing facilities with high overhead and operational costs and will allow the Group to concentrate its resources and manpower to further develop its trading business and the coming launch of “Shanghai Storm”.

The Directors, including the independent non-executive Directors, consider that the terms of each of the First Disposal Agreement, the Second Disposal Agreement, the First Supply Agreement and the Second Supply Agreement and the respective transactions contemplated thereunder are entered into upon normal commercial terms following arm’s length negotiations among the parties and that the terms of each of the said Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

8. FINANCIAL EFFECT OF THE DISPOSALS

It is estimated that, upon Completion, the Group will record a loss on the Disposals of approximately HK\$36,346,020 with reference to their carrying values as at the Accounts Date and the First Disposal Consideration and the Second Disposal Consideration in aggregate. Such loss will be reflected in the consolidated financial statements of the Group in the year ending 31 March 2007.

The Board intends to apply the net sale proceeds of about HK\$37 million as general working capital for the Group.

9. LISTING RULES IMPLICATION

The Disposals constitute a major transaction on the part of the Company under the Listing Rules. As both the First Purchaser and the Second Purchaser are solely owned by Mr. Liang, an executive Director and Chairman of the Company and a controlling shareholder (as defined under the Listing Rules) of the Company, the Disposals also constitute a connected transaction on the part of the Company under the Listing Rules. The First Disposal Agreement and the Second Disposal Agreement will be subject to Independent Shareholders' approval at the SGM to be convened and held by the Company.

Upon Completion, RS will be wholly owned and UG will be owned as to 79.75% by the First Purchaser whereas AI will be wholly owned by the Second Purchaser. The Annual Caps of the First Supply Agreement and the Second Supply Agreement for the two financial years of the Company ending 31 March 2008 and 2009 are HK\$10 million and HK\$7.5 million for the First Supply Agreement and HK\$32.5 million and HK\$26 million for the Second Supply Agreement respectively. The First Supply Agreement and the Second Supply Agreement and the transactions contemplated thereunder therefore constitute a non-exempt continuing connected transaction on the part of the Company under Rule 14A.35 of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 48 of the Listing Rules. The First Supply Agreement, the Second Supply Agreement and the Annual Caps will be subject to Independent Shareholders' approval at the SGM to be convened and held by the Company.

Mr. Liang, and his Associates, Golden Glory Group Limited, will abstain from voting to approve the Agreements and the Annual Caps at the SGM to be convened and held by the Company.

The IBC comprising the three independent non-executive Directors will be formed to advise the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder and the Annual Caps are fair and reasonable and whether the terms of the Agreements and the transactions contemplated thereunder and the Annual Caps are in the interests of the Company and its Shareholders as a whole and to advise on the Independent Shareholders on how to vote, taking into account of the recommendations of Baron, the independent financial advisers. Baron will advise the IBC and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Agreements and the transactions contemplated thereunder and the Annual Caps, the letter of advice from Baron to the IBC and the Independent Shareholders, the recommendation of the IBC to the Independent Shareholders, the Properties Valuation Report together with the notice of the SGM will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

10. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 30 January 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 February 2007.

11. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“ACL”	Artfield Company Limited, a company incorporated in the British Virgin Islands with limited liability and a directly and wholly owned subsidiary of the Company
“Accounts Date”	30 September 2006
“Agreements”	the First Disposal Agreement, the Second Disposal Agreement, the First Supply Agreement and the Second Supply Agreement collectively
“AI”	Artfield Industries (Shenzhen) Ltd., a wholly foreign owned enterprise established in the PRC with limited liability and an indirectly and wholly owned subsidiary of the Company before Completion
“AI Capital”	RMB46,000,000 in the registered and paid up equity capital of AI, representing the entire contributed capital of AI
“AI Consideration”	HK\$30,291,887, being the consideration for the sale and purchase of the AI Capital
“AI Debt”	the sum of approximately HK\$2,867,761 which is due and owing by the Company to AI as at the Accounts Date and is subject to adjustment on the date of Completion
“AI Property”	a factory complex located at Fuchengao Village, Pinghu Town, Longgang District, PRC for production, storage and staff accommodation uses
“AMCL”	Artfield Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability and an indirectly and wholly owned subsidiary of the Company
“Annual Caps”	the maximum amount of the aggregate annual value of the First Supply Agreement and the Second Supply Agreement
“Associates”	has the meaning associated thereto in the Listing Rules
“Baron”	Baron Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO, being independent financial adviser to the IBC and the Independent Shareholders

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CECT”	中電華通通信有限公司 (CECT-CHINACOMM COMMUNICATIONS Co., Ltd.), a company established in the PRC and is a licensed operator authorised to operate internet platforms in the PRC, an Independent Third Party
“Commencement Date”	the effective commencement date of the First Supply Agreement and the Second Supply Agreement in accordance with their respective terms and conditions, being the second Business Day after the satisfaction of all the conditions precedents thereof or 1 April 2007 whichever is later
“Company”	Artfield Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the First Disposal Agreement and the Second Disposal Agreement simultaneously and in accordance with their respective terms and conditions
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Cubicsoft”	Cubicsoft Co., Ltd., a company incorporated in Korea with limited liability and is principally engaged in the development, manufacture and distribution of online computer game software, an Independent Third Party
“Directors”	the directors of the Company, including the independent non-executive directors
“Disposals”	the disposals by the Company of the RS Shares, the RS Debt, the UG Shares, the UG Debt, the AI Capital and the AI Debt subject to and upon the terms and conditions of the First Disposal Agreement and the Second Disposal Agreement
“Dudley Surveyors”	Dudley Surveyors Limited, a professional business and property surveyor and an Independent Third Party appointed by the Company to evaluate the market value of the certain assets of RS Group, UG Group and AI

“EU Directive”	the European Union Directive 2002/95/EC on the restriction of use of certain hazardous substances in electrical and electronic equipment, and the prohibition of the presence of substances including lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ethers which became effective on 1 July 2006
“First Disposal Agreement”	the conditional agreement dated 29 January 2007 and entered into between ACL, the First Purchaser and the Guarantor in relation to the sale and purchase of the RS Shares, the RS Debt, the UG Shares and the UG Debt
“First Disposal Consideration”	HK\$11,636,694, being the aggregate of the RS Consideration and the UG Consideration
“First Charge”	a share charge to be given on Completion by the First Purchaser in favour of ACL in relation to the RS Shares and the UG Shares pursuant to the First Disposal Agreement
“First Purchaser”	Merry Crest Management Limited, a company incorporated in the British Virgin Islands with limited liability and is solely and beneficially owned by Mr. Liang
“First Supply Agreement”	a conditional supply agreement dated 29 January 2007 and entered into between AMCL, RS and UG in relation to the sale of wooden products and electroplating services by RS and UG to AMCL after Completion
“Group”	the Company and its subsidiaries (which shall exclude AI, RS Group and UG Group after Completion)
“Guarantor”	Mr. Liang
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	a board comprising all the independent non-executive Directors to advise the Independent Shareholders as to the terms of the Agreements and the Annual Caps and how to vote, taking into account the recommendations of Baron
“Independent Shareholders”	holders of the Shares other than Mr. Liang and his Associates
“Independent Third Party”	third party independent of the Company and connected persons of the Company and are not connected persons of the Company
“Inventory Valuation Report”	a valuation report on the stocks of AI, RS Group and UG Group valued as at 31 December 2006 and prepared by Dudley Surveyors

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2007, the latest date on which the conditions precedent to the Agreements have to be satisfied, or such later date as the parties to the Agreements may agree
“Macau”	the Macau Special Administrative Region of the PRC
“Machinery Valuation Report”	a valuation report on the machinery and equipment of AI, RS Group and UG Group valued as at 31 December 2006 and prepared by Dudley Surveyors
“Mr. Lee”	Mr. Lee Sang Yoon, an executive Director
“Mr. Liang”	Mr. Liang Jin You, an executive Director and Chairman of the Company and a controlling shareholder (as defined under the Listing Rules) of the Company through his wholly owned company General Line International (Holdings) Limited, which wholly owns Golden Glory Group Limited, which holds 119,184,300 Shares (representing about 39.14% of the issued share capital of the Company as at the date of this announcement)
“OEM”	acronym for original equipment manufacturer, whose products are used as components or brands as products by another company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Properties Valuation Report”	a valuation report on the AI Property, the RS Property and the UG Property valued as at 31 December 2006 and prepared by Dudley Surveyors
“RS”	Royal Success Enterprises Limited, a company incorporated in Hong Kong with limited liability and an indirectly and wholly owned subsidiary of the Company before Completion
“RS Consideration”	HK\$5,471,117, comprising HK\$1 and HK\$5,471,116 being the consideration for the sale and purchase of the RS Shares and the RS Debt respectively
“RS Debt”	the sum of approximately HK\$9,773,115 which is due and owing by RS Group to the Company as at the Accounts Date and is subject to adjustment on the date of Completion
“RS Group”	RS and RS Subsidiary collectively

“RS Property”	a factory complex located at Haojing Road, side of Shanzhoujia Road, Gaoming District, Foshan, PRC for production, storage and staff accommodation uses
“RS Shares”	4 shares of HK\$1.00 each of RS, representing the entire issued share capital of RS
“RS Subsidiary”	Artfield Industries (Foshan) Ltd., a wholly foreign owned enterprise established in the PRC with limited liability and an indirectly and wholly owned subsidiary of the Company before Completion
“Second Disposal Agreement”	the conditional agreement dated 29 January 2007 and entered into between AMCL, the Second Purchaser and the Guarantor in relation to the sale and purchase of the AI Capital and the AI Debt
“Second Disposal Consideration”	HK\$27,424,126, being the AI Consideration less the consideration for the novation of the AI Debt by AMCL to the Second Purchaser
“Second Charge”	a charge on the AI Capital to be given on Completion by the Purchaser in favour of the AMCL in relation to the AI Capital pursuant to the Second Disposal Agreement
“Second Purchaser”	Asia Peace Development Limited, a company incorporated in Hong Kong with limited liability and is solely and beneficially owned by Mr. Liang
“Second Supply Agreement”	a conditional supply agreement dated 29 January 2007 and entered into between AMCL and AI in relation to the sale of clocks, timepieces, gift and premium products by AI to AMCL after Completion
“SGM”	a special general meeting of the Company to be convened and held to approve the Agreements and the transactions contemplated thereunder, and the Annual Caps
“Shareholders”	holders of the Shares
“Shares”	shares of HK\$0.10 of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplies”	the supply of wooden products and electroplating services by RS and UG respectively to AMCL and the supply of clocks, timepieces, gift and premium products by AI to AMCL after Completion in accordance with the terms and conditions of the First Supply Agreement and the Second Supply Agreement

“UG”	Ultra Good Electroplating Limited, a company incorporated in Hong Kong with limited liability and an indirectly and 79.75% owned subsidiary of the Company before Completion
“UG Consideration”	HK\$6,165,577, comprising HK\$4,954,256 and HK\$1,211,321 being the consideration for the sale and purchase of the UG Shares and the UG Debt respectively
“UG Debt”	the sum of approximately HK\$1,211,321 which is due and owing by UG Group to the Company as at the Accounts Date and is subject to adjustment on the date of Completion
“UG Group”	UG and UG Subsidiary collectively
“UG Property”	a factory complex located at Dahuangshan Village, Shajing Town, Baoan District, Shenzhen, PRC for production, storage and staff accommodation uses
“UG Shares”	3,190,000 shares of HK\$1.00 each of UG, representing 79.75% of the issued share capital of UG
“UG Subsidiary”	Ultra Good Electroplating Surface Finishing (Shenzhen) Co. Ltd., a wholly foreign owned enterprise established in the PRC with limited liability and an indirectly and 79.75% owned subsidiary of the Company before Completion
“Undertaking”	the deed of non competition undertaking to be given by the Guarantor in favour of the Company upon Completion
“Valuation Reports”	collectively, the Inventory Valuation Report, the Machinery Valuation Report and the Properties Valuation Report
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Renminbi”	Renminbi, the lawful currency of the PRC
“US\$”	America dollars, the lawful currency of United States of America
“%”	per cent.

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

Hong Kong, 6 February 2007

As at the date of this announcement, the executive Directors are Mr LIANG Jin You, Ms. LI Kwo Yuk, Mr. LEUNG Kin Yau, Mr. OU Jian Sheng, Mr. DENG Ju Neng, Mr. CHEN Vee Yong Frederick and Mr. LEE Sang Yoon; and the independent non-executive Directors are Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR, Joseph Wai Shing.

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