THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purpose only and does not constitute an invitation or offer to acquire or subscribe for securities.

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 together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE DISPOSALS 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.

Independent financial adviser to the independent board committee and the independent shareholders of the Company

Baron Capital Limited

A letter of advice from the IBC to the Independent Shareholders is set out on pages 27 to 28 of this circular.

A letter of advice from Baron to the IBC and the Independent Shareholders is set out on pages 29 to 46 of this circular.

A notice convening the SGM to be held at Flats G and H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories Hong Kong on Friday, 30 March 2007 at 11:00 a.m. is set out on pages 79 to 81 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited of Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

14 March 2007

CONTENTS

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

"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 and paid up 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 members of the Group 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
"Announcement"	the announcement of the Company dated 6 February 2007 in respect of, among other matters, the Disposals and the Supplies
"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 activities 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 values 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 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 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 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 the provision of electroplating services by RS and UG respectively to AMCL after Completion
"Group"	the Company and its subsidiaries (which shall, where the context is required, 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 how to vote, taking into account the recommendations of Baron

"Independent Shareholders"	Shareholders 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
"Latest Practicable Date"	9 March 2007, 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
"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 Latest Practicable Date)
"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 circular, 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 members of the Group 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
"SFO"	Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong
"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 members of the Group 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
"RMB"	RMB, the lawful currency of the PRC
"%"	per cent.

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

14 March 2007

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
INVOLVING THE DISPOSALS 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.**

INTRODUCTION

Reference is made to the Announcement in which the Board announced that ACL has 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 the provisions of 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 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.

The purpose of this circular is to provide you with, among other matters, 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.

THE FIRST DISPOSAL AGREEMENT

Date: 29 January 2007

Parties:

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 members of the Group 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 members of the Group 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, plant and equipment 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 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		HK$(694,321)
comprising asset value of the properties,		
plant and equipment and inventories	HK$25,007,678	
valuation as at 31 December 2006	HK$21,400,000	
difference	HK$(3,607,678)	
Adjusted net asset value (liabilities)		HK$(4,301,999)

UG Group

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

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.

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 members of the Group to AI as at the Accounts Date (subject to adjustment on the date of Completion).

Consideration:

The Second Disposal Consideration for the Disposals 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, plant and equipment 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 consists 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
comprising asset value of the properties, plant and equipment and inventories	HK$77,826,762	
valuation as at 31 December 2006	HK$38,800,000	
difference	HK$(39,026,762)	
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.

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 fails 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 to AMCL 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.

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 fails 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 provided by AI to AMCL 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 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.

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.

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.

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 RMB, 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 to 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, 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 for 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 equipment 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.

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, which 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 amounts 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 is 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.

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.

There will be a deficit of HK$36,346,020 under the net book value of the assets as at Accounts Date as compared with the aggregate consideration of HK$39,060,820.

EFFECT OF THE TRANSACTIONS TO THE GROUP

Earnings

The electroplating service business segment of the Group shall cease upon completion of the Disposals. There will be no material effect on the sales turnover and earnings of the Group's clock and other office related products business segment as well as on the other business segments of the Group following the Disposals. The Board believes that following the Disposals the sales turnover and earnings of the clock and other office related products business segment should be improving as the Group will focus the management and financial resources to developing marketing and trading of its own design and brand products, reducing costs by disposing of its under-utilized manufacturing facilities with high operating and overhead costs and sourcing the products from other suppliers at competitive price.

Assets and Liabilities

Upon completion, the total assets and the liabilities of the Group will be reduced by about HK$94 million (being the difference of the total assets of the companies disposed of and the consideration received) and about HK$56 million (being the total liabilities of the companies disposed of) respectively based on the unaudited consolidated balance sheet of the Group as at 30 September 2006, and the net assets value of the Group after the Disposals will be reduced.

LISTING RULES IMPLICATIONS

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 Directors further confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Liang and Golden Glory Group Limited and their respective associates; and (ii) no obligation or entitlement of Mr. Liang and Golden Glory Group Limited and their respective associates as at the Latest Practicable Date, whereby either party has or may have temporarily or permanently passed control over the exercise of the voting right in respect of their shares to a third party, either generally or on a case-by-case basis.

The IBC comprising the three independent non-executive Directors has been 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 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.

SGM

A notice convening the SGM to be held at Flat G and H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Friday, 30 March 2007 at 11:00 a.m. is set out on pages 79 to 81 in this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch registrar in Hong Kong, Union Registrars Limited of Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to bye-law 66 of the bye-laws of the Company, a resolution put to the vote at any general meeting shall be determined by a show of hands of the Shareholders present in person (or, in the case of a Shareholder being a corporation, by its authorised representative entitled to vote) or by proxy unless voting by way of a poll is required by the rules of the designated stock exchange or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of such meeting; or

(ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation or by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

Unless a poll is dully demanded in accordance with the foregoing provisions, a declaration by the chairman that a resolution has on a show of hands been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Notwithstanding the above, the resolution approving the Agreements, the Disposals, the Supplies and the Annual Caps will be voted on by way of a poll at the SGM.

RECOMMENDATIONS

The Board considers that the Agreements and the transactions contemplated thereunder and the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the Agreements and the transactions contemplated thereunder and the Annual Caps.

Your attention is also drawn to the letter from the IBC set out on page 27 to 28 of this circular. The IBC, having taken into account of the advice of Baron, the text of which is set out on pages 29 to 46 of this circular, considers that the terms of the First Disposal Agreement and the Second Disposal Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the IBC recommends that the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the First Disposal Agreement and the Second Disposal Agreement and the transactions contemplated thereunder.

Further, the IBC, having taken into account of the advice of Baron, the text of which is set out on pages 29 to 46 of this circular, considers that the terms of the First Supply Agreement and the Second Supply Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the IBC recommends that the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the First Supply Agreement and the Second Supply Agreement and the transactions contemplated thereunder and the Annual Caps.

ADDITIONAL INFORMATION

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

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

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

14 March 2007

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE DISPOSALS 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.

We refer to the letter from the Board set out in the circular (the "**Circular**") dated 14 March 2007, of which this letter forms part. Capitalised terms defined in the Circular shall have the same meaning when used herein unless the context otherwise requires.

We have been appointed as members of the IBC to consider 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.

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 26 of the Circular, and the letter from Baron to the IBC and the Independent Shareholders which contains its advice to us in respect of the Disposals, as set out on pages 29 to 46 of this Circular.

Having taken into account the advice of Baron, we consider that Disposals are in the interests of the Company and the Independent Shareholders as a whole and that the terms of First Disposal Agreement and the Second Disposal Agreement to be fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the First Disposal Agreement and the Second Disposal Agreement and the transactions contemplated thereunder.

Having taken into account the advice of Baron, we consider that Supplies are in the interests of the Company and the Independent Shareholders as a whole and that the terms of the First Supply Agreement, the Second Supply Agreement and the Annual Caps to be fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the First Supply Agreement and the Second Supply Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of the IBC

Mr. Lo Ming Chi, Charles	**Mr. Lo Wah Wai**	**Mr. Orr, Joseph Wai Shing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the IBC and the Independent Shareholders from Baron dated 14 March 2007 prepared for the purpose of incorporation in this circular.

Baron Capital Limited

4/F, Aon China Building
29 Queen's Road Central
Central, Hong Kong

14 March 2007

To the IBC and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment by the Company to advise the IBC and the Independent Shareholders in respect of the terms of the Agreements and the Annual Caps, details of which are set out in the section headed "Letter from the Board" contained in the circular of the Company dated 14 March 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

The Board announced that 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 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 Supplies constitute a non-exempt continuing connected transaction on the part of the Company under the Listing Rules.

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, the Second Disposal Agreement, the First Supply Agreement, the Second Supply Agreement and the Annual Caps will be subject to the 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.

Accordingly, the IBC has been established by the Company 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 in the interests of the Company and its Shareholders as a whole and to advice the Independent Shareholders on how to vote.

In arriving at our opinion and recommendation, we have relied on the information and representations contained or referred to in the Circular, and the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations contained or referred to in the Circular and the information supplied and the opinions expressed by the Directors and the management of the Company are true, accurate and complete at the time they were made and continue to be so at the date of the Circular.

We consider that we have no reason to suspect that any relevant information has been withheld or omitted a material fact, nor are we aware of any facts or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to the best of their knowledge and belief, there are no other fact or representation the omission of which would make any statements in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and its proposed business plan, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Agreements and the transactions contemplated thereunder.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the IBC and the Independent Shareholders in respect of the terms of the Agreements, we have taken the following principal factors and reasons into consideration.

I. THE DISPOSALS

A. Background of the Disposals

1. Principal activities of the Group

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. As stated in the section headed "Letter from the Board" in the Circular, 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.

As stated in the 2006 annual report of the Company ("2006 Annual Report"), the Group recorded a turnover of approximately HK$221.14 million and an audited net loss of approximately HK$72.11 million for the year ended 31 March 2006. For the year ended 31 March 2006, the turnover generated from the sales of the manufacture and marketing of clocks and other office related products slightly dropped by approximately 1.59% from approximately HK$158.37 million to approximately HK$155.85 million. However, the Group achieved approximately 33.28% growth in turnover from the business segment of provision of the electroplating services for the year ended 31 March 2006 as compared to last year.

As discussed in the management discussion and analysis section in the 2006 Annual Report, the substantial net loss for the year was mainly a result of (i) recognizing the impairment loss of approximately HK$23.77 million in respect of the disposal of 49% equity interests in Success Start Holdings Limited, which is engaged in the research and development, production and sale of medical and healthcare products in the PRC; (ii) the impairment loss of approximately HK$17.00 million in respect of the goodwill arising from the acquisition of Lens Trading Group (a company engaged in the trading of metals) through Artfield Trading (Hong Kong) Limited, a wholly-owned subsidiary of the Company in August 2002; and (iii) the Group wrote down the inventory value to the extent of approximately HK$8.40 million for the year ended 31 March 2006 since the Group disposed of the unused materials upon the implementation of the EU Directive from 1 July 2006 in European Community.

As stated in the interim report of the Company for the six months ended 30 September 2006 ("2006 Interim Report"), the Group recorded an unaudited turnover of approximately HK$89.35 million and an unaudited net loss of approximately HK$11.49 million. As compared to the turnover for the corresponding period in 2005, the turnover decreased from approximately HK$124.53 million to approximately HK$89.35 million and the gross profit margin of the Group's products was eroded. The drop of the sales turnover was mainly due to the sharp escalation of materials price, surging labour costs and overheads, the appreciation of RMB, the effective of the EU Directive and the loss incurred by two overseas offices in Germany and United Kingdom in an aggregate amount of approximately HK$2.9 million. There is a drop in inventory value in an aggregate amount of approximately HK$4.6 million due to the Group disposed of the unused materials and to tightly control inventory value. As discussed with the management of the Company, it would be strategically appropriate for the Group to dispose of the existing manufacturing operations of wood products, clocks, timepieces, gift and premium products and the provision of the electroplating services with a view to reducing the cost so as to improve the competitiveness of the Group's products in the marketplace.

2. *Reasons for and benefits of the Disposals*

As mentioned in the paragraph headed "Reasons for the Disposals and the Supplies" under the section headed "Letter from the Board" in the Circular, the Group has been undergoing a very difficult operating environment in the year ended 31 March 2006 with a decrease in turnover and an increase in operating and overhead costs coupled with strong competition in the industries. According to the 2006 Interim Report, the sharp escalation of materials price, surging labour costs and overheads, the appreciation of RMB and the effective of the EU Directive had adversely affected the turnover and business operation of the Group.

Clocks and office related products

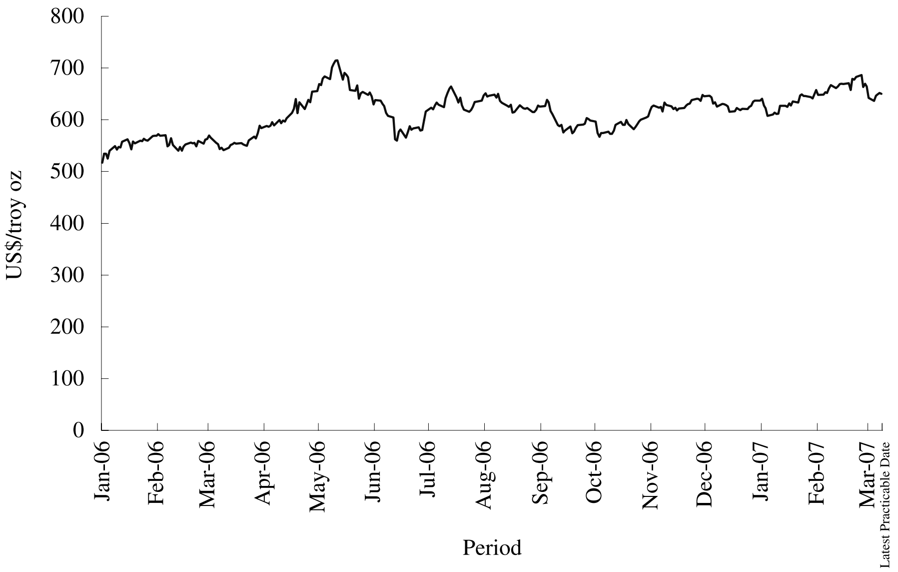
Based on an article "Development of Watch and Clock Industry During the Tenth Five-Year Plan" extracted from the website of Hong Kong Trade Development Council (www. tdctrade.com), China aims to become one of the world's leading producers of watches and clocks by 2015 and strives to become on a par with advanced countries in terms of market share, export value, product mix, production techniques and marketing strategy. In order to achieve these targets, the mainland authorities have formulated the development targets for the watch and clock industry during the Tenth Five-Year Plan period from 2001 to 2005. The mainland authorities encouraged the state-owned watch and clock enterprises to revamp and reorganize with the aim of transcending the differences in ownership type and geographical location. It is encouraged that the production scale of the clock factories should be in a large scale and specialized. As advised by the management of the Company, the barrier of entry of the clocks, timepieces, gift and premium products is low since the set up cost of the manufacturing operations is not expensive and it is not justifiable to upgrade the production facilities and machineries for enhancing the competitiveness in the industry. In this regard, it is believed that the continuation of manufacturing operations of the clocks, timepieces, gift and premium products is not justifiable and viable for the Group.

According to the paragraph headed "Reasons for the Disposals and the Supplies" under the section headed "Letter from the Board" in the Circular, the implementation 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-process and finished goods products could not meet the requirements of the EU Directive. We have reviewed an article regarding the restriction of the use of hazardous substances in electrical and electronic equipment (Directive 2002/95/EC of the European Parliament and of the Council of the European Union in 27 January 2003) issued by the European Parliament and the Council of the European Union in 2003, which mentioned that with effective from 1 July 2006, the member states of the European Union should ensure that the new electrical and electronic equipment on the market should not contain chemical substances, for example, lead, mercury and cadmium. With reference to an article extracted from the website of ChinaWatch (www.chinawatch-clock.cn), the China's electrical and electronic equipment of approximately US$2.7 billion will be affected due to the imposition of this restrictive directive. As noted from the Directors, the Group had taken various measures to improve its manufacturing operations of clocks and office related products and the provision of the electroplating services after the implementation of the EU Directive, including but not limited to, looking into alternative sources of product suppliers to reduce the cost so as to improve the competitiveness of the Group's products in the market. Nevertheless, due to fierce competition, the existing manufacturing operations have not been operating in full capacities in recent years.

Given that the intense competition, the low entry barrier in the manufacturing of clocks, timepieces, gift and premium products and the implementation of the EU Directive, the Board consider that the Disposals represent good opportunities for the Group to obtain finance for further development. Even though the Group will dispose of the manufacturing operations of the clocks and timepieces, the Group will focus on its existing marketing and trading of clocks, timepieces, gift and premium products and the trading of metals businesses (the "Trading Business") upon Completion. After Completion, the Disposals will not affect the business operations of the Company simply due to the fact that the assets relating to the relevant manufacturing operations will be disposed of. Furthermore, the Group will develop and distribute its own self-designed and branded products and focus its management time and resources in the development of self-designed and branded products and further develop its sales and marketing networks in order to enhance the Group's competitiveness and the growth of revenue. We consider that the Disposals will not have an impact on the principal business of the Group and can help the Company to rationalize the structure of the Group so that the Group can focus its resources on the Trading Business and the coming launch of the on-line game "Shanghai Storm".

Electroplating Services

As noted from the management discussion and analysis section in the 2006 Annual Report, the potassium gold cyanide is an important ingredient for use in the electroplating process. Gold, which accounts for more than 60% in the materials used, has been the major components of the Company for production of the potassium gold cyanide. The following chart sets out the analysis of the closing of the gold spot price movement in U.S. dollars during the period from 2 January 2006 to the Latest Practicable Date:



Source: Bloomberg

As shown in the above chart, the closing gold spot price is in a raising trend and it reached a 25-year high of US$714.8 per ounce in mid-2006 after a strong year end rally in 2005. The average gold price for 2006 was US$604.65 per ounce. It is expected that the gold price will keep on rising since demand for physical gold is still high around the world, according to the Gold & Precious Report on The Wall Street Transcript dated 25 December 2006.

On the other hand, the PRC Government imposed a new policy to raise the minimum wages for workers from RMB580 to RMB700 with effect from 1 September 2006, according to an article extracted from the website of People.com (www.people.com.cn). The labour costs in the PRC are rising and there is high labour turnover in the southern delta area of the PRC due to the fact that the minimum wages for workers in Guangdong Province are rising. As the business operations of the Group in the PRC are labour intensive and the labour cost surges as a result of labour shortage in the southern delta area of the PRC, the Group faces a high labour turnover as a result of the higher minimum wages for workers in the PRC.

Given that (i) the surging operating and overhead costs in the electroplating services industry; (ii) the implementation of the EU Directive in the European community had adversely affected the manufacturing operations of clocks and office related products and the provision of the electroplating services; (iii) the new policy for rising the minimum wage for workers in the southern delta area of the PRC; and (iv) the Disposals will enable the Group to free up its existing resources and fixed assets and refocus its operation to the Trading Business, we concur with the opinion of the Directors that the Disposals are in the interests of the Company and the Independent Shareholders as a whole.

B. Terms of the First Disposal Agreement and the Second Disposal Agreement

1. Assets to be disposed

The First Disposal Agreement

Under the First Disposal Agreement, ACL will dispose of (i) the RS Shares, representing the entire issued share capital of RS held indirectly by the Company; (ii) the RS Debt, being the amount which is due and owing by RS Group to the members of the Group as at the Accounts Date (subject to adjustment on the date of Completion); (iii) the UG Shares, representing the entire 79.75% issued share capital of UG held indirectly by the Company; and (iv) the UG Debt, being the amount which is due and owing by UG Group to the members of the Group as at the Accounts Date (subject to adjustment on the date of Completion). The details of the adjustments are set out in the paragraph headed "Basis of the First Disposal Consideration and the Second Disposal Consideration" below.

The Second Disposal Agreement

Under the Second Disposal Agreement, AMCL will dispose of (i) the AI Capital, representing the entire contributed capital in the registered and paid-up equity capital of AI; and (ii) the AI Debt, being the amount which is due and owing by the members of the Group to AI as at the Accounts Date (subject to adjustment on the date of Completion). The details of the adjustments are set out in the paragraph headed "Basis of the First Disposal Consideration and the Second Disposal Consideration" below.

2. Basis of the First Disposal Consideration and the Second Disposal Consideration

The First Disposal Consideration

Pursuant to the First Disposal Agreement, the First Disposal Consideration for the disposal of RS Shares, the RS Debt, the UG Shares and the UG Debt is HK$11,636,694, which comprises the RS Consideration of HK$5,471,117, in which HK$1 being the consideration for the sale and purchase of the RS Shares, 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, in which 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. As to the First Disposal Consideration, HK$1,100,000 was paid upon signing of the First Disposal Agreement as deposit and part payment of the First Disposal Consideration; HK$2,200,000 will be payable to ACL at Completion and the remaining balance of HK$8,336,694 will be payable 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 and based on the net liabilities of RS Group and the net asset value of UG Group as at the Accounts Date and adjusted by the difference of the (i) attributable asset value of properties, plant and equipments and inventories of RS Group and UG Group as at 31 December 2006 based on the Valuation Reports prepared by Dudley Surveyors; and (ii) 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.

Set out below is the calculation of adjusted net asset value of RS Group and UG Group:

RS Group		
Net liabilities as at the Accounts Date		HK$(694,321)
comprising asset value of the properties, plant and equipment and inventories	HK$25,007,678	
valuation as at 31 December 2006	HK$21,400,000	
Difference	HK$(3,607,678)	
Adjusted net asset value		HK$(4,301,999)
UG Group		
Net asset value as at the Accounts Date		HK$8,504,718
comprising asset value of the properties, plant and equipment and inventories	HK$10,892,484	
valuation as at 31 December 2006	HK$8,600,000	
Difference	HK$(2,292,484)	
Adjusted net asset value		HK$6,212,234
The Group's 79.75% interest in UG Group		HK$4,954,256

The Second Disposal Consideration

Pursuant to the Second Disposal Agreement, the Second Disposal Consideration for the disposal of 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). As to the Second Disposal Consideration, HK$2,700,000 was paid upon signing of the Second Disposal Agreement as deposit and part money of the Second Disposal Consideration; HK$5,400,000 will be payable to AMCL at Completion and the remaining balance of HK$19,324,126 will be payable 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 and based on the net asset value of AI as at the Accounts Date and adjusted by the difference of the (i) asset value of properties, plant and equipments and inventories of AI as at 31 December 2006 based on the Valuation Reports prepared by Dudley Surveyors; and (ii) 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.

Set out below is the calculation of adjusted net asset value of AI:

AI		
Net asset value as at the Accounts Date		HK$69,318,649
comprising asset value of the properties, plant and equipment and inventories	HK$77,826,762	
valuation as at 31 December 2006	HK$38,800,000	
Difference	HK$(39,026,762)	
Adjusted net asset value		HK$30,291,887

As mentioned under the section headed "Letter from the Board" in the Circular, the RS Debt and the UG Debt were HK$9,773,115 and HK$1,211,321 respectively and AI Debt was HK$2,867,761 as at the Accounts Date. 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. 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. As advised by the Company, a buffer has been built in for the purpose of setting the adjustments to the exact consideration of the RS Debt, the UG Debt and the AI Debt so as to cater for possible adjustments to both the RS Debt and the UG Debt (under the First Disposal Agreement) and the AI Debt (under the Second Disposal Agreement). We consider that it is fair and reasonable so far as the Independent Shareholders are concerned since the exact consideration of the RS Debt and the UG Debt (under the First Disposal Agreement) and the AI Debt (under the Second Disposal Agreement) will be adjusted on a dollar-for-dollar basis between the differences of their respective amounts as at the Accounts Date and at Completion and settled within three months after Completion by the respective parties.

To value the market values of RS Property, UG Property and AI Property (the "Properties") as at 31 December 2006, Dudley Surveyors used the market value as the basis of valuation and the market value was defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion. We noted that Dudley Surveyors has adopted the depreciated replacement cost method as the valuation methodology due to the inherent nature of usage and lack of market sales comparables for the buildings and structures constructed upon the property. Based on the Properties Valuation Report, Dudley Surveyors has valued the RS Property, UG Property and AI Property as at 31 December 2006 at HK$19,600,000, HK$4,864,750 and HK$11,500,000 respectively.

In addition, Dudley Surveyors has performed valuation on the stocks of AI, RS Group and UG Group ("Inventories") based on the market value of such inventories as at 31 December 2006. According to the Inventory Valuation Report, the market values of the Inventories attributable to the Group as at 31 December 2006 were HK$28,015,250, comprising the market value of the stocks of AI of HK$25,400,000, RS Group of HK$1,100,000 and UG Group of HK$1,515,250. We note that Dudley Surveyors has adopted the cost approach as the valuation methodology and analyzed the market comparatives and undertook necessary sample checking and verification of the information provided by the management of AI, RS Group and UG Group in order to arrive at a fair market value.

Furthermore, according to the Machinery Valuation Report on the machinery and equipment of AI, RS Group and UG Group (the "Machinery and Equipment"), the market values of the Machinery and Equipment attributable to the Group as at 31 December 2006 were HK$3,078,500. The market value of the Machinery and Equipment consisted of: (i) the market value of the machinery and equipment of RS Group as at 31 December 2006 of HK$700,000; (ii) the market value of the machinery and equipment of UG Group as at 31 December 2006 of HK$478,500; and (iii) the market value of the machinery and equipment of AI as at 31 December 2006 of HK$1,900,000. Dudley Surveyors has adopted the market approach and depreciated replacement cost approach to ascertain the market value. Dudley Surveyors appraised the value of assets by considering the second-hand market comparables under the market approach whereas the depreciated replacement cost approach was also used whenever that there are absences of a known market based on comparable sales.

As noted by Dudley Surveyors, it is normal and usual among professional business and property valuers to apply the aforesaid basis of valuation and valuation methodology. Given that (1) the relevant industries have been facing adverse market conditions; (2) the Disposals are priced at a level by reference to the net liabilities of RS Group and the net asset value of UG Group as at the Accounts Date (for the First Disposal Agreement) and the net asset value of AI (for the Second Disposal Agreement); and (3) the First Disposal Consideration and the Second Disposal Consideration were arrived at after arm's length negotiations between the parties to the First Disposal Agreement and the Second Disposal Agreement respectively, we are of the view the First Disposal Consideration and the Second Disposal Consideration payable under the Disposals are fair and reasonable and the terms of the First Disposal Agreement and the Second Disposal Agreement are on normal commercial terms. Although the aggregate value as reported in the Valuation

Reports is higher than the consideration payable under the Disposals, as the Company is disposing the RS Group, UG Group and AI as a going concern and which should include their respective liabilities, we consider that the basis for the determination of the First Disposal Consideration and the Second Disposal Consideration is fair and reasonable by reference to the respective net asset/liability values (as the case may be) of the RS Group, UG Group and AI.

Furthermore, we noted that Mr. Liang, as the guarantor, has guaranteed to ACL (for the First Disposal Agreement) and AMCL (for the Second Disposal Agreement) all the obligations of the First Purchaser and Second Purchaser under the Disposals. We are of the view that the guarantee provided by Mr. Liang can serve as a warranty for the Disposals and effectively safeguard the interests of the Company if the Disposals cannot be completed as anticipated. We believe that such arrangement can effectively safeguard the interests of the Company and the Independent Shareholders as a whole. Accordingly, we are of the view that the guarantee provided by Mr. Liang is in the interests of the Company and the Independent Shareholders as a whole.

3. Payment terms, the First Charge and the Second Charge

The First Disposal Consideration, being HK$11,636,694, will be payable as follows: (i) HK$1,100,000 was paid upon signing of the First Disposal Agreement as deposit and part money of the First Disposal Consideration; (ii) HK$2,200,000 will be payable to ACL upon Completion; and (iii) the remaining balance of HK$8,336,694 will be payable to ACL within 1 year after Completion. The Second Disposal Consideration, being HK$27,424,126, will be payable as follows: (i) HK$2,700,000 was paid upon signing of the Second Disposal Agreement as deposit and part money of the Second Disposal Consideration; (ii) HK$5,400,000 will be payable to AMCL at Completion; and (iii) the remaining balance of HK$19,324,126 will be payable to AMCL within 1 year after Completion.

As stated in the section headed “Letter from the Board” in the Circular, the relevant industries have been facing adverse market conditions and the disposal of RS, UG and AI consisting substantially of fixed assets, including machineries and obsolete inventories, the First Purchaser or the Second Purchaser (as the case may be) will have added hardship in looking for new buyers for the products, therefore, it would be in the interests of the Company to make the deferred payment of the balance within 1 year after Completion so that the Disposals could take place. As advised by the management of the Company, save for the disposal of RS, UG and AI to the First Purchaser and the Second Purchaser (as the case may be), the Company has been looking for an alternative way to dispose of the existing manufacturing operations of the clocks, timepieces, gift and premium products and the electroplating business, including but not limited to, to dispose of the business to independent third parties or wind down the existing manufacturing operations and the electroplating business. However, the Company advised that no alternative purchaser can be located and the Directors consider that it is not justifiable for the Company to winding down the manufacturing operation since it is costly and time consuming.

Given the fact that (i) 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; (ii) 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, and (iii) no alternative purchaser for the manufacturing operations of the clocks, timepieces, gift and premium products and the electroplating business can be located, we consider that the payment terms (including the deferral payment up to 1 year after the Completion) and the First Charge and the Second Charge are fair and reasonable so far as the Independent Shareholders are concerned.

C. Financial effects on the Group

As stated in the section headed "Letter from the Board" in the Circular, 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 following is the analysis of the financial effects on the Group upon Completion:

(a) Profit and loss account

Immediately prior to the Completion, the financial results of the RS Group, UG Group and AI were consolidated into the Group's accounts. For the year ended 31 March 2006, the net profit after taxation and extraordinary items of RS Group was approximately HK$0.66 million and the net profit after taxation and extraordinary items of UG Group was approximately HK$2.20 million. The net profit after taxation and extraordinary items of AI was approximately HK$2.99 million. Although the Directors estimate that the Group will record a loss, which is one-off in nature, on the Disposals of approximately HK$36.3 million with reference to the carrying values as at the Accounts Date and the First Disposal Consideration and the Second Disposal Consideration in aggregate (which is expected to be recognized in the Group's consolidated financial statements for the year ending 31 March 2007), it is estimated that the Disposals, upon Completion, will allow the Group to realise immediately available funds of approximately HK$11.40 million for the Group's general working capital and the balance of approximately HK$27.66 million will be further enhance the Group's general working capital position within one year after Completion.

Shareholders should note that the RS, UG and AI will cease to be the subsidiaries of the Company, any future profit or loss will no longer be included in the consolidated financial statements of the Group in the future. Following the Disposals, it is expected that the business of the clock and other office related products business segment would be improved as the Group will focus the management and financial resources to develop marketing and trading of its branded products. According to the section headed "Letter from the Board" in the Circular, the Group will focus on its Trading Business, which has been the major and principal sources of income of the Group, and the coming launch of the on-line computer game "Shanghai Storm" around June 2007. The historical contribution of the (i) clocks and other office related products and the trading of metals to the Group's turnover for the six months ended 30 September 2006 were approximately HK$66.17 million and HK$13.97 million respectively, representing approximately 74.05% and 15.63% respectively of the Group's unaudited turnover for the six months ended 30 September 2006. Given the fact that the Group (i) only dispose of its manufacturing facilities with high overhead and operational costs; (ii) can concentrate its resources and manpower to further develop its Trading Business and the coming launch of the "Shanghai Storm"; and (iii) the loss of the Disposals is only a one-off nature, we consider that the Disposals is beneficial to the Company in the long run as the Group can relieve the burden by the disposal of its manufacturing facilities with high overhead and operational costs.

(b) *Net asset value*

According to the 2006 Interim Report, the unaudited net asset value of the Group as at 30 September 2006 was approximately HK$172.05 million. Based on the unaudited consolidated accounts of RS Group and UG Group as at 30 September 2006, the unaudited net liabilities value of RS Group was approximately HK$0.69 million and the unaudited net asset value of UG Group was approximately HK$8.50 million. The unaudited net asset value of AI was approximately HK$69.32 million as at 30 September 2006. Upon Completion, the Group's net asset value will be decreased due to the loss arises as a result of the Disposals. Despite that the Disposals may have negative impact on the Group's net asset value upon Completion, we are of the view that the Disposals may provide an opportunity for the Group to rationalize the structure of the Group and focus on its Trading Business, which may help to strengthen the income base of the Group.

(c) *Gearing*

According to the unaudited consolidated balance sheet of the Group as at 30 September 2006, the Group has total outstanding debts of approximately HK$40.92 million and the debt-equity ratio (calculated by the total outstanding debts/total equity (exclude minority interests of the Group)) was approximately 0.238 as at 30 September 2006. According to the unaudited consolidated financial statements of the RS Group and AI as at 30 September 2006, the total outstanding debts were approximately HK$14.9 million and HK$7.78 million respectively and the UG Group did not have any outstanding debts. Assuming the Disposals was completed on 30 September 2006, the debt-equity ratio of the Group will be decreased substantially since the liabilities of the RS Group, UG Group and AI would be excluded from the consolidated balance sheet of the Group. We are of the view that the Disposals can improve the gearing position of the Group.

(d) *Working capital and cash flow*

As mentioned in the paragraph headed "Financial effect of the Disposals" under the section headed "Letter from the Board" in the Circular, upon Completion, the Board intends to apply the net proceeds of approximately HK$37 million as general working capital for the Group. We are of the view that the Disposals will improve the working capital and cash position of the Group.

(e) Conclusion

Despite the decrease in the net asset value of the Group as a result of the loss incurred as a result of the Disposals, the Disposals will help the Group to reduce the financial burden and the debt-equity ratio of the Group will be reduced accordingly. The financial position of the Group in terms of working capital and cash flow position will also be further strengthened within 1 year after Completion. Based on the aforesaid, we are of the opinion that the Disposals are in the interests of the Company and the Independent Shareholders as a whole.

II. THE SUPPLIES

A. Background and reasons for the Supplies

On 29 January 2007, 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 on a non-exclusive basis. The Supplies will be effective from the Commencement Date for a term of two years.

As stated in the paragraph headed "Reasons for the Disposals and the Supplies" under the section headed "Letter from the Board" in the Circular, the Board has thorough discussions among the Directors and considered that 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 for 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.

As noted from the Company, the rationale for entering into the First Supply Agreement and the Second Supply Agreement is to minimize the disruptions to existing and outstanding production orders for the Company's customers in order to facilitate the smooth transition after completion of the Disposals, and the Company will look for other manufacturing companies with the most competitive offers for placing future production orders and extended the terms of the contracts accordingly. In view of the fact that 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 upon the Completion, we are of the view that it is appropriate to enter into the First Supply Agreement and the Second Supply Agreement to regulate the Supplies on a regular and continuing basis. In addition, we consider that the First Supply Agreement and Second Supply Agreement are entered into in the ordinary and usual course of the Company's business for the supply of wooden products and electroplating services (by RS and UG to AMCL) and clocks, timepieces, gift and premium products (by AI to AMCL), therefore the Supplies are in the interests of the Company and the Independent Shareholders as a whole to ensure a reliable source of the service provider without any disruption of the business activities of the Company.

B. Principal terms of the First Supply Agreement and the Second Supply Agreement

According to the First Supply Agreement, RS will sell to AMCL wood products and UG will provide AMCL electroplating services on a non-exclusive basis for a term of two years with effect from the Commencement Date. Pursuant to the First Supply Agreement, 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 (i.e. the purchase price excluding the transportation costs) 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.

According to the Second Supply Agreement, AI will sell to AMCL clocks, timepieces, gift and premium products on a non-exclusive basis for a term of two years with effect from the Commencement Date. Pursuant to the Second Supply Agreement, the prices for such products will depend on the type and nature of the products to be supplied and based on the ex-factory purchase price (i.e. the purchase price excluding the transportation costs) with reference to the existing prices of similar products in the market. As noted from the management of the Company, the prices for the products under the First Supply Agreement and the Second Supply Agreement depend on the types and nature of the products involved. After Completion, AMCL will obtain quotation for identical or similar products from independent third parties for reference before placing orders with RS, UG or AI (as the case may be). As a normal practice, AMCL will only place orders with RS, UG or AI (as the case may be) if their terms are no less favourable than that available from the independent third parties.

The terms of the First Supply Agreement and Second Supply Agreement shall be for a term of two years with effect from the Commencement Date and subject to the termination by a party to the agreement giving notice to the other party. We consider that a term of two years will provide a stable and reliable source of Supplies during the transitional period. We are also of the view that the Supplies are in the interests of the Company and the Independent Shareholders as a whole.

To ensure that the First Supply Agreement and the Second Supply Agreement will be carried out in the Group's ordinary and usual course of business, on normal commercial terms and terms no less favourable than terms from those available from independent suppliers, the Group has adopted certain internal procedures to regulate the Supplies in the future. We have reviewed the internal procedures to regulate the Supplies and the demand orders issued by the Company to the independent third parties. As a general practice, should the value of each of the products or services to be placed with RS, UG or AI exceeds US$100,000, the Company is required to obtain quotations from one or more independent third party suppliers for comparison. The Company will select the one with the most favourable terms with comparable quality products to be the supplier. If no price quotation can be obtained from independent third parties, the procurement manager needs to obtain approval from one executive Director (excluding Mr. Liang, Ms. Li Kwo Yuk (Mr. Liang's wife) and Mr. Leung Kin Yau (Mr. Liang's brother)). The head of marketing department and/or the procurement manager will conduct periodic checking at least twice per year on the price and quality of the products, services and delivery time with proper documentations. We also noted that the credit terms usually provided to the independent third parties from RS, UG or AI are 30 days and all of the Supplies will be carried out under credit terms of 60 days. Given the above, we consider that there will be sufficient internal control procedures and arrangements in place to ensure that the Supplies will be properly conducted and the credit terms will be no less favourable than that available from independent third parties.

Given the fact that (i) the basis for determining the price of the Supplies under the First Supply Agreement and the Second Supply Agreement are based on the types and nature of the products/services to be provided with reference to the prices offering in the market; (ii) the Supplies are on a non-exclusive basis; and (iii) proper internal procedures to regulate the Supplies will be adopted by the Group, we are of the opinion that the terms of the First Supply Agreement and the Second Supply Agreement under the Supplies are fair and reasonable and to the interests of the Company and the Shareholders as a whole.

C. *The Annual Caps*

Set out below are the historical turnovers of the products and services provided by RS, UG and AI; and a summary of the Annual Caps under the First Supply Agreement and the Second Supply Agreement.

	Audited turnover for the financial year ended 31 March 2005	**Audited turnover for the financial year ended 31 March 2006**	**Unaudited turnover for the six months ended 30 September 2006**	**Unaudited Turnover for the nine months ended 31 December 2006**	**Proposed annual cap for the financial year ending 31 March 2008**	**Growth rate**	**Proposed annual cap for the financial year ending 31 March 2009**	**Growth rate**
	Approximate HK$'million	*Approximate HK$'million*	*Approximate HK$'million*	*Approximate HK$'million*	*HK$'million*	*(Note 1)*	*HK$'million*	*(Note 2)*
First Supply Agreement	19.3	23.4	7.4	13.3	10.0	-57.26%	7.5	-25.00%
Second Supply Agreement	61.4	52.2	20.3	32.7	32.5	-37.74%	26.0	-20.00%

Notes:

1. For illustration purpose, the calculation for the growth rate will be based on the actual turnovers of the products and services provided by RS, UG and AI for the year ended 31 March 2006.

2. The growth rate is calculated based on the proposed Annual Caps for the financial year ending 31 March 2008.

The Annual Caps for 2008 and 2009 have been determined with reference to the current and the anticipated difficult operating environment in the industries in the future. As we mention in the sub-paragraph headed "Reasons for and benefits of the Disposals" under the paragraph headed "The Disposals" above, the Group is under challenge as a result of the implementation of the EU Directive in the European Community regarding the electroplating service industry and faces fierce competition from the new competitors in the clock and watch industry. The management of the Company further advised that the Company would refocus its business operations in developing marketing and trading of its branded products and intends to concentrate the knowledge and skills in the development of new branded products and expand the new marketing networks.

In order to maintain an initial reliable source of products or services and to ensure a smooth transition after the Disposals, the Group has entered into the First Supply Agreement and the Second Supply Agreement which provide the Group with the benefit and the flexibility of placing orders to RS, UG, AI, or other manufacturing companies providing the most competitive offer to the Group. The negative growth rates on the proposed Annual Caps for the First Supply Agreement and the Second Supply Agreement are mainly due to that the company intends to find other manufacturers to replace RS, UG and AI and not to place further reliance on the supply of the services and products from RS, UG or AI in the future. In this regard, we consider that the proposed Annual Caps of the First Supply Agreement and the Second Supply Agreement offer flexibility to the Company and are fair and reasonable.

D. Annual review requirement pursuant to the Listing Rules

In accordance with the Listing Rules 14A.37 to 14A.40, the Supplies are subject to the following annual review requirements:

(a) each year the independent non-executive Directors must review the Supplies and confirm in the annual report and accounts that the Supplies have been entered into:

  (i) in the ordinary and usual course of business of the Group;

  (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

  (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report) confirming that the Supplies:

  (i) have received the approval of the Board;

  (ii) are in accordance with the pricing policies of the Group if the Supplies involve the provision of goods or services by the Group;

  (iii) have been entered into in accordance with the relevant agreements governing the Supplies; and

  (iv) have not exceeded the relevant Annual Caps;

(c) the Company shall allow, and shall procure that the relevant counter parties to the Supplies shall allow, the Company's auditors with sufficient access to their records for the purpose of the reporting on the Supplies as set out in sub-paragraph (b) above. The Board must state in the annual report whether the auditors of the Company have confirmed the matters stated in sub-paragraph (b) above; and

(d) the Company shall promptly notify the Stock Exchange and publish an announcement in the newspaper if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in sub-paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Supplies, in particular, (i) the restriction on the value of the Supplies by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the Supplies and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Supplies and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Disposals are in the interests of the Company and the Independent Shareholders as a whole and that the terms of the First Disposal Agreement and the Second Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We are also of the view that the Supplies are in the interests of the Company and the Independent Shareholders as a whole and that the terms of the First Supply Agreement, the Second Supply Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the IBC to recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the First Disposal Agreement and the Second Disposal Agreement and the transactions contemplated thereunder and the First Supply Agreement and the Second Supply Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Sheron Yau
Director

SUMMARY OF FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated income statements of the Group for the years ended 31 March, 2004, 2005 and 2006, unaudited balance sheet as at 30 September, 2006 together with the comparative unaudited figures as at 30 September 2005, and the unaudited income statements of the Group for the six months ended 30 September, 2006 together with the comparative unaudited figures for the corresponding period in 2005, and the audited balance sheets of the Group as at 31 March, 2004, 2005 and 2006 as extracted from the Company's annual report of year 2005 and year 2006 and the interim report for the six months ended 30 September, 2006. The auditors of the Company have given an unqualified opinion on each of the Company's and the Group's financial statements for the years ended 31 March, 2004, 2005 and 2006.

Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the years ended 31 March, 2004, 2005 and 2006. The adoption of these new HKFRSs beginning from 1 January, 2005 had no significant impact on the Group's result of operations and financial position.

CONSOLIDATED INCOME STATEMENT

	Audited For the year ended 31 March			Unaudited For the six months ended 30 September	
	2006	2005	2004	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	221,135	238,300	229,925	89,348	124,526
Cost of sold and services provided	(192,309)	(181,868)	(180,553)	(80,001)	(93,796)
Gross profit	28,826	56,432	49,372	9,347	30,730
Other operating income	2,509	1,213	1,829	1,234	1,785
Selling and distribution expenses	(13,824)	(12,018)	(12,136)	(5,029)	(6,850)
Administrative expenses	(44,441)	(43,530)	(48,722)	(20,582)	(23,115)
Other operating expenses	—	(1,688)	(3,064)	—	(317)
Finance costs	(2,893)	(3,185)	(3,527)	(1,014)	(1,180)
Gain on disposal of subsidiaries	—	1,693	—	4,558	—
Share of results of associates	—	765	—	—	—
Impairment loss recognised in respect of interests in associates	(23,768)	—	—	—	—
Impairment loss recognised in respect of goodwill	(17,004)	—	—	—	—
(Loss)/profit before tax	(70,595)	(318)	(16,248)	(11,486)	1,053
Income tax expenses	(1,516)	(1,755)	182	(1)	(54)
(Loss)/profit attributable to shareholders	(72,111)	(2,073)	(16,066)	(11,487)	999
Attributable to:					
Equity holders of the Company	(72,149)	(2,414)	(15,594)	(11,982)	664
Minority interests	38	341	(472)	495	335
	(72,111)	(2,073)	(16,066)	(11,487)	999
Dividend	—	—	—	—	—
(Loss)/earnings per share — basic	(HK$27.49 cents)	(HK$0.92 cents)	(HK$6.87 cents)	(HK$3.95 cents)	HK$0.25 cents

CONSOLIDATED BALANCE SHEET

	Audited As at 31 March			Unaudited As at 30 September	
	2006	2005	2004	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	6,426	—	8,000	4,884	4,880
Property, plant and equipment	56,499	66,994	100,806	54,585	61,243
Prepaid lease payments on land use rights	9,008	8,874	—	9,048	9,059
Intangible assets	—	39	66	46,440	25
Goodwill	—	17,004	18,000	3,963	17,004
Interests in associates	6,000	18,316	17,551	—	29,948
Deferred tax assets	135	135	166	135	135
	78,068	111,362	144,589	119,055	122,294
Current assets					
Inventories	79,118	95,634	88,069	73,388	99,567
Trade and bills receivables	55,637	56,904	58,161	55,207	54,554
Prepayments, deposits and other receivables	6,128	7,409	7,366	10,618	7,235
Prepaid lease payments on land use rights	220	208	—	220	—
Financial assets at fair value through profit or loss	2,343	—	—	2,343	2,311
Other investments	—	2,311	2,414	—	—
Amounts due from associates	—	210	—	—	—
Tax recoverable	86	—	—	372	—
Bank balances and cash	8,029	7,632	5,399	4,728	8,766
	151,561	170,308	161,409	146,876	172,433
Current liabilities					
Trade payables	28,553	31,427	21,829	24,976	33,366
Other payables and accruals	21,877	12,479	28,329	19,244	14,455
Tax payable	1,277	993	527	1,190	191
Obligations under finance leases — due within one year	598	606	801	438	407
Bank and other borrowings — due within one year	32,391	29,318	42,699	40,092	30,489
	84,696	74,823	94,185	85,940	78,908
Net current assets	66,865	95,485	67,224	60,936	93,525
Total assets less current liabilities	144,933	206,847	211,813	179,991	215,819

	Audited As at 31 March			Unaudited As at 30 September	
	2006	**2005**	**2004**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves					
Share capital	26,248	26,248	24,054	30,448	26,248
Reserves	106,591	162,338	157,083	141,602	176,426
Equity attributable to equity holders of the Company	132,839	188,586	181,137	172,050	202,674
Minority interests	7,002	6,964	6,623	3,041	7,299
	139,841	195,550	187,760	175,091	209,973
Non-current liabilities					
Obligations under finance leases — due after one year	586	363	712	393	223
Bank and other borrowings — due after one year	—	6,112	19,019	—	801
Deferred tax liabilities	4,506	4,822	4,322	4,507	4,822
	5,092	11,297	24,053	4,900	5,846
	144,933	206,847	211,813	179,991	215,819

Note: Prior periods have been adjusted to reflect the change in accounting policy as a result of the adoption of the new HKFRSs.

EFFECT OF THE TRANSACTIONS TO THE GROUP

Earnings

The electroplating service business segment of the Group shall cease upon completion of the Disposals. There will be no material effect on the sales turnover and earnings of the Group's clock and other office related products business segment as well as on the other business segments of the Group following the Disposals. The Board believes that following the Disposals the sales turnover and earnings of the clock and other office related products business segment should be improving as the Group will focus the management and financial resources to developing marketing and trading of its own design and brand products, reducing costs by disposing of its under-utilized manufacturing facilities with high operating and overhead costs and sourcing the products from other suppliers at competitive price.

Assets and Liabilities

Upon completion, the total assets and the liabilities of the Group will be reduced by about HK$94 million (being the difference of the total assets of the companies disposed of and the consideration received) and about HK$56 million (being the total liabilities of the companies disposed of) respectively based on the unaudited consolidated balance sheet of the Group as at 30 September 2006, and the net assets value of the Group after the Disposals will be reduced.

INDEBTEDNESS

As at the close of business on 31 January 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding debts and finance lease obligations amounting to approximately HK$40.4 million of which HK$22.7 million was secured bank loans, HK$1.9 million was secured trust receipt loans, HK$5.8 million was secured bank overdrafts, HK$7.8 million was unsecured bank loans, HK$1.0 million was unsecured trust receipt loans, HK$0.5 million was unsecured bank overdrafts and HK$0.7 million was obligations under finance leases. As at 31 January 2007, certain of the Group's leasehold land and buildings, investment properties and prepaid lease payments on land use rights were pledged to secure general banking facilities with unaudited aggregate net carrying values of approximate HK$52.0 million. The Group did not have contingent liability at the date thereof and has capital commitment of about HK$140,000 in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements.

As at 31 January 2007, save as aforesaid and apart from intra-group liabilities and normal trade payables, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources, the existing available credit facilities and the deposits received from the Disposals, the Group has sufficient working capital for its present requirements for the next twelve-month period from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Clock and Other Office Related Products

This Division achieved a turnover of HK$155,900,000 in the year ended 31 March 2006, it represents a slight reduction of HK$2,500,000 or 1.6% as compared with the same period last year.

The gross profit margin of the clock and other office related products was seriously hampered by increase in cost of materials such as copper, aluminium and plastic resin used in the production of the Division's products, coupled with the surging labour cost and the appreciation of Renminbi during the year under review. An analysis of products cost shows an average increase of about 17.3% for the year 2006 as compared with the year 2005.

The restructuring of overseas offices entailed the written off of old stock in the amount of approximately HK$672,000 in the Group's USA office, Right Time Group, Inc. and approximately HK$2,679,000 in the Germany Office, Wehrle Uhrenfabrik Gmbh. This Division's inventory value decreased by HK$18,000,000 to make provision for the impending application of the ROHS Directive to be effective in European Community from 1 July 2006.

This Division reported a segment trading loss of HK$20,072,000 for the year ended 31 March 2006. The segment trading result for last year was a trading profit of HK$2,233,000.

The clock and other related products division recorded a turnover of HK$66.2 million in the six months period ended 30 September 2006, it represents a reduction of HK$22.7 million or 25.6% compared with the same period last year.

As a result of the lower sales turnover, the division reported a segment trading loss of HK$10,397,000 as against a segment trading profit of HK$4,436,000 in the same period last year. The results included the loss of the Germany office, Wehrle Uhrenfabrik Gmbh, of HK$1,327,000; the United Kingdom office, Ferdinand International (Marketing) Limited, of HK$1,584,000. The inventory of the division decreased by about HK$4.6 million as compared with the position at 31 March 2006 out of the Group's rigorous effort to dispose unused materials and to tightly control inventory level.

Despite a slow sales turnover in the first half of the year, the division expects a stronger second half attaining a sales turnover similar to that of last year.

Lighting Products

The lighting products division reported a turnover of HK$20,500,000 in the year ended 31 March 2006. The result represents a reduction of HK6,400,000 or 23.7% as compared with last year.

As reported in the Company's interim report made up to 30 September 2005, this Division makes its sales predominantly to European markets which showed sign of slow down in their economy and has made a segment trading loss of HK$677,000. This Division continued to operate in a difficult environment with a decrease in sales turnover and an increase in operation cost coupled with strong competition in the industry. The Group's effort in improving its profitability have turned out in vain. The Group has resolved to dispose the manufacturing operation of the Lighting Division with a view to enabling the Group to reallocate its resources and to concentrate on the Group's other existing businesses.

During the year ended 31 March 2006, the Lighting Division report a segment trading loss of HK$2,391,000.

For the six months ended 30 September 2006, the Group has disposed the manufacturing operation of the lighting products division in June 2006. The disposal resulted a gain from the disposal of subsidiaries approximately HK$4,558,000. Following disposal of the manufacturing operation of the lighting products business, the Group carries on the lighting products business on trading basis mainly through its overseas offices.

The lighting products division reported a sales turnover of HK$4.1 million and a segment trading loss of HK$1,114,000 in the six months period ended 30 September 2006 as compared with a sales turnover of HK$9.3 million and a segment trading loss of HK$677,000 in the same period last year.

Trading

The Trading Division mainly engages in trading of metal in the PRC market. During the year ended 31 March 2006, the business was inevitably affected by the PRC government's tightening of macroeconomic policy. This Division reported a turnover of HK$29,600,000 and a trading profit of HK$363,000 as compared with a turnover of HK$41,600,000 and a segment trading profit of HK$1,772,000 in last year.

The division reported a sales turnover of HK$14.0 million with a segment trading loss of HK$1,155,000 in the six months ended 30 September 2006 as compared with a sales turnover of HK$17.0 million and a segment trading profit of HK$227,000 respectively in the same period last year.

In the short run, the management looks upon the business as an important source of marketing intelligence to the Group's other businesses in the PRC market, the management does not expect this Division to make substantial contribution to the Group's bottom line in the near future.

Matrix Software Inc.

The Group acquired the entire issued share capital of Matrix Software Inc. in April 2006. Matrix Software Inc. engages in the marketing and development of online computer games, it owns an intellectual property right in the online computer game registered as "Shanghai Storm" in the PRC, Hong Kong and Macau and it is an MMORPG (massively multiplayer online role-playing game) with a unique 3D game engine.

The online computer game is currently under testing stage. The Close Beta version is launched in Korea for internal testing, the Open Beta is scheduled to be launched within the second quarter of 2007 in Korea and in July 2007 in the PRC, and will be expected to be commercialized in July 2007, and start to generate income.

FINANCIAL REVIEW OF THE GROUP

The Group recorded a turnover of approximately HK$221,135,000 for the year ended 31 March 2006 (2005: HK$238,300,000), it represents a reduction of 7.2% or HK$17,165,000 as compared with last year. The Group recorded a loss for the year of approximately HK$72,149,000 in the year under review (2005: loss for the year of HK$2,414,000). The loss was mainly a result of recognizing the impairment loss of HK$23,768,000 in respect of the disposal of 49% equity interests in Success Start Holdings Limited; the impairment loss of HK$17,004,000 in respect of goodwill and the review of the Group's inventory value in view of the effective of the restriction of the use of certain hazardous substances in electrical and electronic equipment directive ("ROHS Directive") from 1 July 2006 in European Community. The Group's inventory was decreased by HK$16,516,000 from HK$95,634,000 at the end of last year to HK$79,118,000 as at 31 March 2006.

For the six months period ended 30 September 2006, the Group has been experiencing a very tough operating environment in the first half of the financial year 2006 with a sharp escalation of materials price, surging labour cost and overheads, the appreciation of Renminbi ("RMB") and the effective of the restriction on the use of certain hazardous substance in electrical and electronic equipment directive ("ROHS Directive") from 1 July 2006 in the European Community. All these factors adversely affected the sales turnover of the Group's businesses.

The Group recorded a sales turnover of approximately HK$89,348,000 for the six months ended 30 September 2006. It represents a reduction of HK$35,178,000 or 28.2% as compared with the same period last year of HK$124,526,000. The sales turnover of clocks and other office related products division decreased by HK$22,772,000; lighting products division decreased by HK$5,201,000; trading division decreased by HK$3,018,000 and electroplating services division decreased by HK$4,187,000.

The Group recorded a net loss of HK$11,487,000 for the six months period ended 30 September 2006 as against a net profit of HK$999,000 for the same period last year.

Prospects

The Group has undergone a most difficult operating environment in the first half of the financial year 2006 which was not seen in many years of the Group's past operation. However, the Group sees the opportunity that lies ahead to turn its businesses into profit if it could successfully compete in the market place by leveraging its strength and core competence.

The Group realized that the cost of the products is of paramount importance to enable the Group to increase its sales and that the existing manufacturing operation may not be so well positioned to enable the Group to lead and compete in the market place. The Board believes that following the Disposals the sales turnover and earnings of the clock and other office related products business segment should be improving as the Group will focus the management and financial resources to developing marketing and trading of its own design and brand products, reducing costs by disposing of its under-utilized manufacturing facilities with high operating and overhead costs and sourcing the products from other suppliers at competitive price.

Liquidity and Financial Resources

As at 31 March 2006, the Group had total outstanding debts and finance lease obligations of HK$33,575,000 (2005: HK$36,399,000), of which HK$24,314,000 (2005: HK$31,164,000) was secured bank loans, HK$11,416,000 (2005: HK$10,596,000) was secured overdrafts, HK$567,000 (2005: HK$259,000) was unsecured other loans and HK$1,184,000 (2005: HK$969,000) was obligations under finance leases. The amount repayable within one year accounted for 98.3% (2005: 82.2%) of the total borrowings as at 31 March 2006:

As at 30 September 2006, the Group had total outstanding debts and finance lease obligations of HK$40,923,000, of which HK$25,493,000 was secured bank loans, HK$10,563,000 was secured overdrafts, HK$2,394,000 was unsecured other loans and HK$831,000 was obligations under finance leases. The amount repayable within one year accounted for 99.0% of the total borrowings as at 30 September 2006. The maturity profile of the Group's total borrowings as at 31 March 2006, 31 March 2005 and as at 30 September 2006 are analysed as follows:

	Audited As at 31 March		**Unaudited As at 30 September**
	2006	**2005**	**2006**
Within one year	98.3%	82.2%	99.0%
In the second year	1.2%	17.4%	0.7%
In the third to fifth years, inclusive	0.5%	0.4%	0.3%
Total	100%	100%	100.0%

Our gearing ratio was at a healthy level of 0.4% as at 31 March 2006 and 0.2% as at 30 September 2006. The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 31 March 2006 and as at 30 September 2006 respectively.

The Group's sound financial position will provide us with good financial capacity to either expand our existing operation or to diversify into other strategic growth business.

Charges on Group's Assets

Certain of the Group's leasehold land and buildings, investment properties and financial assets were pledged to secure general banking facilities granted to the Group.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the Government of the Hong Kong Special Administrative Region's policy to link the Hong Kong dollars to the US dollars remains in effect.

Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are denominated in Renminbi ("RMB"), the management is aware of possible exchange rate exposure. As a hedging strategy, the management emphasizes on using RMB borrowings to finance the Group's PRC operation and capital expenditure.

Treasury Policies

The Group generally finances its operation with internal generated resources and banking and credit facilities provided by banks in Hong Kong, the PRC and the UK. All borrowings are denominated in Hong Kong dollars, the US dollars, RMB and British pounds. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts facilities, invoice financing and bank loans. The interest rates of most of these borrowings are fixed by reference to the Hong Kong Dollar Prime Rate or foreign currency's Trade Finance Rates.

Contingent Liabilities

As at 31 March 2006 and 30 September 2006, the Group did not have contingent liabilities (2005: nil).

Employees

As at 31 March 2006, the Group had 1,808 employees (2005: 2,394) and as at 30 September 2006, the Group had 1,504 employees (2005: 2,019) spreading among Hong Kong, the PRC, the US, Germany and the UK. Industrial relationship has been well maintained.

The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs.

The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares of the Company.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Dudley Surveyors Limited, an independent valuer, in connection with their valuations of the properties located in the PRC held by the Group.

捷利行測量師有限公司
DUDLEY SURVEYORS LIMITED

Chartered Surveyors • Valuers • Estate Agents
Auctioneers • Plant & Machinery Valuer
Development Consultants • Property Management

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14 March 2007

The Directors
Artfield Group Limited
13th Floor
Universal Industrial Centre
19-21 Shan Mei Street
Fo Tan, Shatin
New Territories
Hong Kong

Dear Sirs

INSTRUCTIONS

We refer to the instructions from Artfield Group Limited (the "Company") for us to value the properties held by the Company and its subsidiaries Artfield Industries (Gaoming) Limited, Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Limited and Artfield Industries (Shenzhen) Limited (together referred to as the "Group") located in the People's Republic of China (the "PRC"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market values of the properties held by the Group as at 31 December 2006.

BASIS OF VALUATION

Our valuation of each property has been based on the market value ("Market Value"), which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION METHODOLOGY

Owing to the inherent nature of usage and lack of market sales comparables for the buildings and structures constructed upon the properties, these properties have been valued on the basis of its Depreciated Replacement Cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." This opinion of value does not necessarily represent the amount that might be realized from the disposition of the subject asset in the open market; yet this basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of value for assets without a known used market.

TITLE INVESTIGATION

We have been provided with copies of title documents relating to the titles of the properties and have been advised by the Group that no further relevant documents have been produced. Due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and Hills & Co. (君道律師事務所), its PRC legal advisor, regarding the titles of the PRC properties. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumptions that the properties are sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defect. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defect. No test was carried out on any of the service.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of buildings, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurement to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimension, measurement and area included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximation.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information so supplied.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers. The exchange rate adopted is the average rate as at the date of valuation being HK$1=RMB1.005. There has been no significant fluctuation in the exchange rate between that date and the date of this report.

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised properties or the values reported.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully
For and on behalf of
DUDLEY SURVEYORS LIMITED
Brian W. K. Li
BSc. (Est Man), MRICS, MHKIS, RPS(GP), CIREA
Director

Note: Mr. Brian W.K. Li is a Chartered Surveyor who has over 26 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing states as at 31 December 2006 *HK$*	Interest attributable to the Group	Value attributable to the Group as at 31 December 2006 *HK$*
Properties located in the PRC to be disposed by the Group				
1.	A factory complex located at Haojing Road Side of Shanzhoujia Road Gaoming District Foshan City Guangdong Province the PRC	19,600,000	100%	19,600,000
2.	A factory complex located at Dahuangshan Village Shajing Town Baoan District Shenzhen City Guangdong Province the PRC	6,100,000	79.75%	4,864,750
3.	A factory complex located at Fuchengao Village Pinghu Town Longgang District Shenzhen City Guangdong Province the PRC	11,500,000	100%	11,500,000
	Total:	**37,200,000**		**35,964,750**

VALUATION CERTIFICATE

Properties located in the PRC to be disposed by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing states as at 31 December 2006 *HK$*
1.	A factory complex located at Haojing Road Side of Shanzhoujia Road Gaoming District Foshan City Guangdong Province the PRC	The property comprises a parcel of land with a site area of approximately 53,621.8 sq.m. (or about 80.43 mu) upon which with various buildings and ancillary structures completed in between 2000-2004 are erected. The buildings and ancillary structures include 5 workshops, 2 warehouse and 1 dormitory with a total gross floor area of approximately 17,526.56 sq.m. (or about 188,655.89 sq.ft.) The land use rights of the property have been granted for a term of 70 years from 10 May 2000 to 9 May 2070 for composite uses.	The property is occupied for production, storage and staff-accommodation uses.	19,600,000 (100% interest attributable to the Group: HK$19,600,000)

Notes:—

1. Pursuant to a State-owned Land Use Rights Certificate, Ming Guo Yong (2000) Zi Di No. 100 dated 12 May 2000 issued by Gaoming City Real Estate Management Bureau (高明市國土房產管理局), the land use rights of the property with a site area of 53,621.8 sq.m. were legally owned by Artfield Industries (Gaoming) Ltd. (雅域實業(高明)有限公司) for a term expiring on 9 May 2070.

2. Pursuant to 8 Real Estate Title Certificates issued by the Gaoming City Land and Real Estate Management Bureau (高明市國土房產管理局) dated from 6 September 2000 to 28 June 2004, the land use rights and the building ownership rights of the property with a total gross floor area of approximately 19,870.96 sq.m. were legally owned by Artfield Industries (Gaoming) Ltd. (雅域實業(高明)有限公司). The salient details of which are summarized as below:

No.	Document No.	Issue Date	Site Area *(sq.m.)*	Buildings	Structure	No. of Storey	GFA *(sq.m.)*
1.	Yue Fang Di Zheng Zi Di No. 2662454	6-9-2000	2,062.05	Composite Workshop (綜合車間)	Others	1	1,620.00
2.	Yue Fang Di Zheng Zi Di No. 2662460	6-9-2000	1,560.00	Timber Warehouse (木料倉庫)	Others	1	1,152.00
3.	Yue Fang Di Zheng Zi Di No. 2662465	6-9-2000	1,849.80	Carpenter Workshop (木作車間)	Others	2	1,800.00
4.	Yue Fang Di Zheng Zi Di No. C0471245	15-5-2003	1,855.00	New Composite Workshop (新綜合車間)	Reinforced Concrete	1	2,014.00
5.	Yue Fang Di Zheng Zi Di No. C0471246	15-3-2002	1,145.31	Dormitory (宿舍)	Framework	6	3,320.56
6.	Yue Fang Di Zheng Zi Di No. C1720276	28-6-2004	4,140.00	Warehouse (倉庫)	Reinforced Concrete	1	2,220.00
7.	Yue Fang Di Zheng Zi Di No. C1720277	28-6-2004	3,624.80	Workshop (毛管車間)	Reinforced Concrete	1	2,700.00
8.	Yue Fang Di Zheng Zi Di No. C1720279	28-6-2004	3,634.00	Workshop (整燈車間)	Reinforced Concrete	1	2,700.00
		Total:	**19,870.96**			**Total:**	**17,526.56**

3. Pursuant to a Business License, Qi Du Yue Shan Zong Zi Di No. 001799 dated 23 April 2004 issued by Guangdong Province Foshan City Industrial and Administration Bureau (廣東省佛山市工商行政管理局), Artfield Industries (Foshan) Ltd. (雅域實業(佛山)有限公司) was established on 20 July 1999 at a registered capital of HK$8,000,000 and the operation period is effective from 20 July 1999 to 19 July 2019. The approved scope of business includes production and exportation of: watch shells, wood-wares, quartz watch and all timepieces-related accessories; lamps and lanterns' iron-wares; plastic products.

4. The opinion of Hills & Co. (君道律師事務所), the PRC legal adviser, to the Group contains, *inter alia*, the following:

   a. Artfield Industries (Gaoming) Ltd. (雅域實業(高明)有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. The property is subject to a mortgage with China Construction Bank - Fushan Gaoming Branch (中國建設銀行佛山高明支行);

   c. The property is not subject to any other material encumbrances except the aforesaid mortgage;

   d. All land premium and other costs of ancillary utility services have been settled in full;

   e. The uses of the property are in compliance with and protected by the local government law; and

   f. The property may be disposed, leased out and second-mortgaged freely with the consent of the mortgagor.

5. The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificates	Yes
Business Licence	Yes

6. Artfield Industries (Gaoming) Ltd. (雅域實業(高明)有限公司) is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing states as at 31 December 2006 *HK$*
2.	A factory complex located at Dahuangshan Village Shajing Town Baoan District Shenzhen City Guangdong Province the PRC	The property comprises a parcel of land with a site area of approximately 4,096.1 sq.m. (or about 6.14 mu) upon which with various buildings and ancillary structures completed in 1997 are erected. The buildings and ancillary structures include a 2-storey composite building, a 7-storey dormitory with canteen, two 3- to 4-storey workshops and a sewage treatment plant with a total gross floor area of approximately 6,046.3 sq.m. (or about 65,082.37sq.ft.) The land use rights of the property have been granted for a term of 50 years from 17 June 1992 to 16 June 2042 for industrial/canteen/dormitory uses.	The property is occupied for production, storage and staff-accommodation uses.	6,100,000 (79.75% interest attributable to the Group: HK$4,864,750)

Notes:—

1. Pursuant to a State-owned Land Use Rights Contract, Shen Di He Zi (1996) No. 4-69 dated 12 September 1996 entered into between the Shenzhen City Planning and Land Administrative Bureau (深圳市規劃國土局) and Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd. (特佳電鍍表面處理(深圳)有限公司), the former party agreed to transfer the land use right of the property with a site area of 4,096.1 sq.m. to the latter one.

2. Pursuant to 16 Real Estate Title Certificates issued by the People's Government of Shenzhen City (深圳市人民政府) all dated 26 September 2002, the land use rights and the building ownership rights of the property with a total gross floor area of approximately 6,046.3 sq.m. were legally owned by Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd. (特佳電鍍表面處理(深圳)有限公司). The salient details of which are summarized as below:

No.	Document No.	Issue Date	Site Area *(sq.m.)*	Buildings	Structure	GFA *(sq.m.)*
1.	Yue Fang Di Zheng Zi Di No. 5000072851	26-9-2002	241.10	1/F, Block 4, 拋光車間	Framework with minor internal decoration	325.40
2.	Yue Fang Di Zheng Zi Di No. 5000072849	26-9-2002	240.90	2/F, Block 4, 拋光車間	Framework with minor internal decoration	325.30
3.	Yue Fang Di Zheng Zi Di No. 5000072852	26-9-2002	235.90	3/F, Block 4, 拋光車間	Framework with minor internal decoration	318.40
4.	Yue Fang Di Zheng Zi Di No. 5000072855	26-9-2002	86.40	1/F, Block 3, Sewage Treatment Plant	Framework with minor internal decoration	95.80
5.	Yue Fang Di Zheng Zi Di No. 5000072854	26-9-2002	97.00	2/F, Block 3, Sewage Treatment Plant	Framework with minor internal decoration	107.50
6.	Yue Fang Di Zheng Zi Di No. 5000072856	26-9-2002	446.30	1/F, Block 2, Electroplate Workshop	Framework with minor internal decoration	652.30
7.	Yue Fang Di Zheng Zi Di No. 5000072853	26-9-2002	450.80	2/F, Block 2, Electroplate Workshop	Framework with minor internal decoration	658.50
8.	Yue Fang Di Zheng Zi Di No. 5000072850	26-9-2002	450.80	3/F, Block 2, Electroplate Workshop	Framework with minor internal decoration	658.50
9.	Yue Fang Di Zheng Zi Di No. 5000072857	26-9-2002	450.80	4/F, Block 2, Electroplate Workshop	Framework with minor internal decoration	658.50

No.	Document No.	Issue Date	Site Area (*sq.m.*)	Buildings	Structure	GFA (*sq.m.*)
10.	Yue Fang Di Zheng Zi Di No. 5000075691	26-9-2002	145.90	6/F, Block 1, Composite Building (Dormitory)	Framework with minor internal decoration	234.70
11.	Yue Fang Di Zheng Zi Di No. 5000075692	26-9-2002	275.60	1/F, Block 1, Composite Building (Canteen)	Framework with minor internal decoration	443.50
12.	Yue Fang Di Zheng Zi Di No. 5000075693	26-9-2002	166.20	7/F, Block 1, Composite Building (Dormitory)	Framework with minor internal decoration	267.50
13.	Yue Fang Di Zheng Zi Di No. 5000075694	26-9-2002	258.30	2/F, Block 1, Composite Building (Dormitory)	Framework with minor internal decoration	415.50
14.	Yue Fang Di Zheng Zi Di No. 5000075695	26-9-2002	258.30	3/F, Block 1, Composite Building (Dormitory)	Framework with minor internal decoration	415.50
15.	Yue Fang Di Zheng Zi Di No. 5000075696	26-9-2002	145.90	4/F, Block 1, Composite Building (Dormitory)	Framework with minor internal decoration	234.70
16.	Yue Fang Di Zheng Zi Di No. 5000075697	25-1-2000	145.90	5/F, Block 1, Composite Building (Dormitory)	Framework with minor internal decoration	234.70
		Total:	**4,096.10**		**Total:**	**6,061.30**

3. Pursuant to a Business License, Qi Du Yue Shen Zong Zi Di No. 302083 dated 3 August 2004 issued by Shenzhen City Industrial and Administration Bureau (深圳市工商行政管理局), Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd. (特佳電鍍表面處理(深圳)有限公司) was established on 3 August 2004 at a registered capital of US$600,000 and the operation period is effective from 27 August 1993 to 27 August 2043. The approved scope of business includes production, exportation and importation of: various iron-wares, plastics and their surfaces finishing and electroplating.

4. The opinion of Hills & Co. (君道律師事務所), the PRC legal adviser, to the Group contains, *inter alia*, the following:

   a. Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd. (特佳電鍍表面處理(深圳)有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

b. The property is subject to a mortgage with Shenzhen Village Commercial Bank-Pinghu Branch (深圳農村商業銀行平湖支行);

c. The property is not subject to any other material encumbrances except the aforesaid mortgage;

d. All land premium and other costs of ancillary utility services have been settled in full;

e. The uses of the property are in compliance with and protected by the local government law; and

f. The property may be disposed, leased out and second-mortgaged freely with the consent of the mortgagor.

5. The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Grant Contract	Yes
Real Estate Title Certificates	Yes
Business Licence	Yes

6. Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd. (特佳電鍍表面處理(深圳)有限公司) is an indirectly 79.75%-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing states as at 31 December 2006 *HK$*
3.	A factory complex located at Fuchengao Village Pinghu Town Longgang District Shenzhen City Guangdong Province the PRC	The property comprises two parcels of land (Land Parcel I and Land Parcel II) with a total site area of approximately 21,978.2 sq.m. (or about 32.97 mu) upon which various buildings and ancillary structures completed in between 1994 and 1996 are erected. The buildings and ancillary structures include three workshops and five dormitories with a total gross floor area of approximately 28,462 sq.m. (or about 306,364.97 sq.ft.). The land use rights of the property have been granted for a term of 35 and 50 years respectively from 1 January 1989 to 31 December 2023 and 30 January 1992 to 16 June 2042 for industrial and storage uses.	The property is occupied for production, storage and staff-accommodation uses.	11,500,000 (100% interest attributable to the Group: HK$11,500,000)

Notes:—

1. Pursuant to a State-owned Land Use Rights Contract, Bao Guo He Zi (1993) No. 915 dated 18 December 1992 entered into between the Shenzhen City Baoan County Land Administrative Bureau (深圳市寶安縣國土局) and 寶安華雅鐘錶有限公司, the former name of Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司), the former party has agreed to transfer the land use right of the property with a site area of 10,000 sq.m. to the latter at a consideration of RMB270,000 for a term of 35 years from 1 January 1989 to 31 December 2023 for industrial uses.

2. Pursuant to a State-owned Land Use Rights Contract, Shen Long He Zi (1994) No. 285 dated 23 December 1994 entered into between the Shenzhen City Planning and Land Administrative Bureau — Longgang Branch (深圳市規劃國土局－龍崗分局) and Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司), the former party has agreed to transfer the land use right of the property with a site area of 11,978.2 sq.m. to the latter at a consideration of RMB1,309,623 for a term of 50 years from 30 January 1992 to 30 January 2042 for industrial use. The salient conditions stipulated in the contract are summarized as below:

(i)	Site Area (sq.m.)	:	11,978.2 sq.m.
(ii)	Land Use Term	:	50 years for residential (30 January 1992 to 30 January 2042)
(iii)	Land Use	:	Industrial
(iv)	Plot Ratio	:	Not less than or equal to 1.1 (the total gross floor area not more than 13,176 sq.m.)
(v)	Nature of Building	:	Industrial building and dormitory for single workers (multi-storey buildings)
(vi)	Land Premium Payable	:	RMB1,309,623

3. Pursuant to 2 Real Estate Title Certificates, Shen Fang Di Zi Di Nos. 6000022856 and 6000030728 issued by the People's Government of Shenzhen City (深圳市人民政府) dated 19 November 1999 and 26 July 2000 respectively, the land use rights and the building ownership rights of the property with a total site area of approximately 21,978.2 sq.m. were legally owned by Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司). The salient details of the certificates are as follows:

Land Parcel No.	Document No.	Issue Date	Site Area *(sq.m.)*	Buildings	Structure	GFA *(sq.m.)*
I	Yue Fang Di Zheng Zi Di No. 6000022856	19-11-1999	10,000	Workshop No. 1 and Dormitory No. 1	Framework	8,911.2
II	Yue Fang Di Zheng Zi Di No. 6000030728	26-7-2000	11,978.2	—	—	—
		Total:	**21,978.2**		**Total:**	**8,911.2**

4. Pursuant to a Pursuant to a Construction Land Planning Permit (建設用地規劃許可証), Shen Gui Tu Gui Xu Zi No. 06-1999-0185, issued by Shenzhen City Town Planning and Land Administrative Bureau Longguan Branch (深圳市城市規劃國土局龍崗分局) dated 26 August 1999, Artfield Industries (Gaoming) Ltd. (雅域實業(深圳)有限公司is permitted to develop Land Parcel II with a site area of 11,978.2 sq.m..

5. Pursuant to six Construction Completion Certificates (建設工程竣工驗收証書), issued by Shenzhen City Longgang District Pinghu Town Construction Office (深圳市龍崗區平湖鎮建設辦公室), the completion of the six buildings (Workshops No. 2 and 3 and Dormitories Nos. 2-5) with a total gross floor area of 19,662 sq.m. were approved.

6. Pursuant to a Construction Works Planning Completion Certificate (建設工程規劃驗收合格証), issued by Shenzhen City Planning and Land Resources Bureau-Longguan Branch (深圳市規劃與國土資源局龍崗分局), the completion of four Dormitory Nos. 25 of the property with a total gross floor area of 7,870.3 sq.m. were approved.

7. The details of the above buildings as mentioned in Notes 5 and 6 are tabulated below:

No.	**Name of Buildings**	**Date of completion**	**No. of storeys**	**Gross Floor Area**
1.	Workshop No. 2	8-5-1994	7	10,000.00 sq.m.
2.	Workshop No. 3	18-5-1996	5.5	1,798.00 sq.m.
3.	Dormitory No. 2	28-5-1995	6	4,264.00 sq.m.
4.	Dormitory No. 3	28-12-1993	5	1,198.70 sq.m.
5.	Dormitory No. 4	8-5-1994	7	1,198.70 sq.m.
6.	Dormitory No. 5	23-4-1995	5	1,208.90 sq.m.
			Total:	**19,668.30 sq.m.**

8. As the building structures as stated in note 5 to 7 have not obtained any title documents, they cannot be transferred freely in the market, in consequence, we have not attribute any commercial value to these building structures in our opinion on the market value of the property.

9. Pursuant to a Business License, Qi Du Yue Shen Zong Zi Di No. 301394 dated 15 April 2000 issued by Shenzhen City Industrial and Administration Bureau (深圳市工商行政管理局), Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司) was established on 1 August 1989 at a capital of RMB46,000,000 and the operation period is effective from 1 August 1989 to 1 August 2029. The approved scope of business includes production and exportation of: watch shells, wood-wares, quartz watch and all timepieces-related accessories; lamps and lanterns' iron-wares; plastic products.

10. The opinion of Hills & Co. (君道律師事務所), the PRC legal adviser, to the Group contains, *inter alia*, the following:

    a. Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

b. According to the relevant PRC Law, Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司) should comply to the relevant planning, construction rules and apply building completing permit. As a result, there is a substantial legal impediments to obtain Real Estate Title Certificates of the buildings and structures as stated in note 5 to 7 which cannot be sold in the market freely before obtained relevant title certificates;

c. A land parcel of the property with a site area of 10,000 sq.m. is subject to a mortgage with Shenzhen Village Commercial Bank-Pinghu Branch (深圳農村商業銀行平湖支行);

d. The property is not subject to any other material encumbrances except the aforesaid mortgage;

e. All land premium and other costs of ancillary utility services have been settled in full;

f. The uses, production and operation of the property are in compliance with and protected by the local government law; and

g. Portion of the property under the aforesaid mortgage may be disposed, leased out and second-mortgaged freely with the consent of the mortgagor.

11. The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Grant Contract	Yes
Real Estate Title Certificates	Yes
Business Licence	Yes

12. Artfield Industries (Shenzhen) Ltd. (雅域實業(深圳)有限公司) is an indirectly wholly-owned subsidiary of the Company.

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:

(1) Long positions in the shares of the Company or any of its associated corporations

Name of Director	Note	Nature of interest	Total	Approximate percentage or attributives percentage of shareholdings *(%)*
Mr. Liang	1	Held by controlled corporation	119,184,300 (L)	39.14

(L) Long position

Notes:

1. 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. Ms. Li Kwo Yuk, an executive Director and the spouse of Mr. Liang, is deemed to be interested in the Shares interested by Mr. Liang and their interests duplicate each other.

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.

(2) Share Options of the Company

The Company adopted a share option scheme on 28 August 2003 (the "Scheme"), with expiry date on 27 August 2013, for the purpose of providing incentives to any eligible employee, any director of the Company or any of its subsidiaries or any invested entity, any supplier, any customer, and technical and legal professional advisers and any shareholder who has valuable contribution to the Group.

No share options have been granted under the Scheme since its adoption.

(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	Total	Approximate percentage of shareholdings *(%)*
Golden Glory Group Limited	1	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:

1. These 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. Accordingly, General Line International Holdings Limited and Mr. Liang are deemed to be interested in these Shares. Ms. Li Kwo Yuk, an executive Director and the spouse of Mr. Liang, is deemed to be interested in the Shares interested by Mr. Liang and their interests duplicate each other.

(ii) Substantial shareholders of other member of the Group:

Name of Substantial Shareholder	Name of Subsidiary	Nature of interest	Total	Approximate percentage of shareholdings *(%)*
Fu Chang Trading Limited	Ultra Good Electroplating Limited	Beneficial owner	810,000	20.25

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. INTEREST IN ASSETS

The Directors confirm that none of the Directors, Dudley Surveyors, Hills & Co. and Baron has any interest, direct or indirect, in any assets which had been, since 31 March 2006, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. INTERESTS IN CONTRACTS

Save as Mr. Liang being interested in the Agreements, the Directors confirm that there was no contract or arrangement subsisting at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group.

6. EXPERTS AND CONSENTS

The following are the qualification of the experts who has given opinions or advice which are contained in this circular:

Name	Qualification
Dudley Surveyors	a professional business and property surveyor
Hills & Co.	PRC lawyers
Baron	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Each of Dudley Surveyors, Hills & Co. and Baron has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Dudley Surveyors, Hills & Co. and Baron does not have any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. SHARE CAPITAL

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

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

8. 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.

9. MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change in the financial position or trading position of the Group since 31 March 2006, being the date to which the latest published audited financial statements of the Group was made up.

10. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors confirmed that, other than the transactions contemplated under the Agreements in which Mr. Liang were interested, 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.

11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, have been entered into by member of the Group within two years preceding the date of this circular and are, or may be, material:

(i) the sale and purchase agreement dated 12 June 2006 entered into between the Company and Bright International Investment Holdings Limited for the disposals of entire issued shares of City Bright International Limited at a total consideration of HK$3,874,174;

(ii) the sale and purchase agreement dated 18 March 2006 entered into between Kuan Wai I, Lee Sang Yoon, Yu Frank, Yu Jing and Easy Link Assets Limited for the acquisition of entire issued shares capital of Matrix Software Inc. at a total consideration of HK$50,400,000; and

(iii) the sale and purchase agreement dated 22 February 2006 entered into between Easy Link Assets Limited and Chiu Yuk Wai for the disposals of 49% equity interests in Success Start Holdings Limited at a total consideration of HK$6,000,000.

12. 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 principal share registrar and transfer office of the Company in Bermuda is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiani Road, Pembroke, Bermuda.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited of Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong .

(e) 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.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office of the Company at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, Hong Kong from the date of this circular up to and including 14 March 2007 and at the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual report of the Company for the two years ended 31 March 2005 and 31 March 2006 and the interim report 30 September 2006;

(c) the circular dated 10 July 2006 in relation to the disposals of the entire issued share capital of City Bright International Limited

(d) the letter of advice from Baron, the text of which is set on pages 29 to 46 of this circular;

(e) the Properties Valuation Report prepared by Dudley Surveyors, the text of which is set out in Appendix II;

(f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(g) the written consents of the experts referred to in the paragraph headed "Experts and consent" in this appendix;

(h) the First Disposal Agreement, the Second Disposal Agreement, the First Supply Agreement and the Second Supply Agreement; and

(i) this circular.

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Artfield Group Limited (the "**Company**") to be held at Flats G and H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, Hong Kong at Friday, 30 March 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution with or without amendments to be taken by way of a poll:

ORDINARY RESOLUTION

1. "**THAT**

(a) the sale and purchase agreement dated 29 January 2007 (the "**First Disposal Agreement**") entered into between Artfield Company Limited ("**ACL**"), a directly and wholly owned subsidiary of the Company, as vendor and Merry Crest Management Limited, a company incorporated in the British Virgin Islands with limited liability and is solely and beneficially owned by Mr. Liang Jin You ("**Mr. Liang**"), as purchaser, and Mr. Liang as guarantor in relation to the disposals of (i) the entire issued share of Royal Success Enterprises Limited ("**RS**"), a direct wholly-owned subsidiary of ACL, and the account payables (subject to adjustment on completion) which is due and owing by RS and its subsidiary (the "**RS Group**") to the Company and its subsidiaries (which shall exclude the RS Group and the UG Group (as defined below) and AI (as defined below)) (the "**Group**") and (ii) 79.75% of issued shares of Ultra Good Electroplating Limited ("**UG**"), a directly owned subsidiary of ACL, and the account payables (subject to adjustment on completion) which is due and owing by UG and its subsidiary (the "**UG Group**") to the Group for an aggregate consideration of HK$11,636,694 (a copy of First Disposal Agreement will be produced to the Meeting marked "A" for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the sale and purchase agreement dated 29 January 2007 (the "**Second Disposal Agreement**") entered into between Artfield Manufacturing Company Limited ("**AMCL**"), a directly and wholly owned subsidiary of the Company, as vendor and Asia Peace Development a company incorporated in Hong Kong with limited liability and is solely and beneficially owned by Mr. Liang, as purchaser, and Mr. Liang as guarantor in relation to the disposals of the all the registered equity capital of Artfield Industries (Shenzhen) Limited ("**AI**") and the account receivables (subject to adjustment on completion) which is due and owing by the members of the Group to AI for an aggregate consideration of HK$27,424,126 (a copy of Second Disposal Agreement will be produced to the Meeting marked "B" for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) the supply agreement dated 29 January 2007 (the "**First Supply Agreement**") entered into between AMCL, RS and UG in relation to the sale of wooden products and the provision of electroplating services by RS and UG respectively to AMCL (a copy of First Supply Agreement will be produced to the Meeting marked "C" for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(d) the supply agreement dated 29 January 2007 (the "**Second Supply Agreement**") and entered into between AMCL and AI in relation to the sale of clocks, timepieces, gift and premium products by AI to AMCL (a copy of Second Supply Agreement will be produced to the Meeting marked "D" for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(the First Disposal Agreement, the Second Disposal Agreement, the First Supply Agreement and the Second Supply Agreement are collectively referred to "**Agreements**")

(e) the annual caps contemplated under the First Supply Agreement and the Second Supply Agreement for the two financial years of the Company ending 31 March 2008 and 2009 being 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 be and are hereby approved, confirmed and ratified; and

(f) any director of the Company be and is hereby authorised to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Agreements and the matters contemplated therein."

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

Hong Kong, 14 March 2007

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
13th Floor,
Universal Industrial Centre,
19-21 Shan Mei Street,
Fo Tan, Shatin, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited of Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. Pursuant to the Rules Governing the Listing the Securities on The Stock Exchange of Hong Kong Limited, the ordinary resolution will be voted by way of poll.