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**ARTFIELD GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

DISCLOSEABLE TRANSACTION**DISPOSAL OF PROPERTY**

A letter from the board of directors of Artfield Group Limited is set out on pages 3 to 7 of this circular.

17 September 2007

CONTENTS

	<i>Page</i>
DEFINITIONS	1-2
LETTER FROM THE BOARD	3-7
APPENDIX – GENERAL INFORMATION	8-11

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	the sale and purchase agreement dated 27 August 2007 entered into between the Vendor and the Purchaser in relation to the Disposal
“Announcement”	the announcement dated 28 August 2007 and issued by the Company in relation to the Disposal
“associates”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Artfield Group Limited, an exempted company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Property”	Car Park No. L11, L18 and L19, Unit E, F and H of 9th Floor, Unit E, F, G and H of 13th Floor, Universal Industrial Centre, 19-25 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong
“Purchaser”	Upwin Investments Limited, a company incorporated in Hong Kong with limited liability
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holders of ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Artfield Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability, and an indirectly wholly-owned subsidiary of the Company

LETTER FROM THE BOARD



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

Executive Directors:

Mr. LEUNG Heung Ying, Alvin (*Managing Director*)

Ms. CHUNG Oi Ling, Stella

Independent Non-executive Directors:

Mr. LO Ming Chi, Charles

Mr. LO Wah Wai

Mr. ORR Joseph Wai Shing

Mr. WONG Ngao San, Marcus

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business:

Room 1507, 15th Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai, Hong Kong

17 September 2007

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION

DISPOSAL OF PROPERTY

INTRODUCTION

The Company announced in its Announcement dated 28 August 2007 that the Vendor, an indirectly wholly-owned subsidiary of the Company, had entered into the Agreement with the Purchaser on 27 August 2007 in relation to the Disposal.

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

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

LETTER FROM THE BOARD

THE AGREEMENT

Date:	27 August 2007
Vendor:	Artfield Manufacturing Company Limited, an indirectly wholly-owned subsidiary of the Company
Purchaser:	Upwin Investments Limited
Property:	Car Park No. L11, L18 and L19, Unit E, F and H of 9th Floor, Unit E, F, G and H of 13th Floor, Universal Industrial Centre, 19-25 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong.

As far as the Directors are aware, the Purchaser is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its subsidiaries and their respective connected persons (as defined in the Listing Rules).

Pursuant to the Agreement, the Vendor will sell and the Purchaser will purchase the Property upon the terms contained therein.

INFORMATION OF THE PROPERTY

The Property is located at Universal Industrial Centre, 19-25 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong. The Property is an industrial property with a gross floor area of 16,233 sq. ft. (excluding the car parking spaces).

Part of the Property was the subject of two tenancies which rental income for the two financial years ended 31 March 2006 and 31 March 2007 were HK\$126,000.00 and HK\$304,500.00 respectively. The remaining part of the Property is being occupied by the Group as office premises and warehouse. The latest tenancy will expire on 30 June 2009.

LEASEBACK ARRANGEMENT

The Vendor will leaseback certain units of the Property following the completion of the Disposal.

LETTER FROM THE BOARD

Subject to the signing of the relevant tenancy agreement(s), the terms of the leaseback are summarized as follows:

- Units: Car parking spaces Nos. L11, L18 and L19, Workshops E, F & H on 9th Floor and Workshops G & H on 13th Floor of the Property (*Note*).
- Terms: 2 years
- Rents: (1) HK\$2,580 per month for each carpark (exclusive of rates, government rent and management fees);
- (2) HK\$3.10 per square ft. per month for Workshops E, F & H on 9th Floor and Workshops G & H on 13th Floor (exclusive of rates, government rent and management fees).
- Gross Areas: (1) 7,048 square ft. for Workshops E, F & H on 9th Floor; and
- (2) 4,635 square ft. for Workshops G & H on 13th Floor.

Workshops E, F & H on 9th Floor and Workshops G & H on 13th Floor of the Property are currently occupied by the Vendor as office premises and warehouse.

Note: Workshop H on 9th Floor is currently under a tenancy. Subject to early surrender of that Workshop by the relevant tenant on 31 October 2007, the Vendor will leaseback that Workshop from the Purchaser at the aforesaid leaseback terms. That Workshop will be used by the Vendor as office or warehouse as it may deem appropriate.

CONSIDERATION AND PAYMENT TERMS

The consideration for the Disposal is HK\$11,451,450.00 which had been determined after arm's length negotiations between the Vendor and the Purchaser taking into account the result of a valuation conducted by an independent valuer in respect of the market value of the Property as at 13 August 2007 of HK\$11,250,000.00. Based on the aforesaid, the Directors consider the terms of the Disposal to be fair and reasonable.

According to the audited consolidated financial statements of the Company for the year ended 31 March 2007, the net book value of the Property as at 31 March 2007 was HK\$11,063,705.00. The Disposal would enable the Company to recognize a gain of approximately HK\$387,745.00 (before selling expenses) which will be reflected in the consolidated income statement of the Group for the year ending 31 March 2008.

LETTER FROM THE BOARD

The consideration for the Disposal shall be payable to the Vendor in cash in the following manner:

- a. an initial deposit in the sum of HK\$5,000,000.00 has been paid by the Purchaser upon signing of the Agreement;
- b. the balance of consideration in the sum of HK\$6,451,450.00 shall be paid by the Purchaser upon Completion on or before 28 September 2007 to the Vendor.

COMPLETION

Completion of the sale and purchase of the Property shall take place on or before 28 September 2007. The Purchaser has agreed to purchase the Property subject to the existing tenancies upon Completion.

REASON FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The principal activities of its subsidiaries are marketing and trading of clocks and other office related products. With the recent upturn of Hong Kong property market, the Directors consider that it is a good opportunity for the Group to dispose of the Property and recognize the profits therefrom to provide working capital for the Group. The Directors are of the view that the Disposal is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The audited net profit both before and after taxation and extraordinary items attributable to the Property were approximately HK\$126,000.00 and HK\$126,000.00 respectively for the year ended 31 March 2006.

The audited net profit both before and after taxation and extraordinary items attributable to the Property were approximately HK\$304,500.00 and HK\$304,500.00 respectively for the year ended 31 March 2007.

USE OF PROCEEDS FROM THE DISPOSAL

The estimated net proceeds from the Disposal of approximately HK\$11,400,000.00 will be used for repayment of existing bank loan of the Group in the amount of approximately HK\$4,645,000.00 and the balance as working capital.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL

It is estimated that the Group will recognize a gain on disposal of HK\$387,745.00 (before selling expenses) from the Disposal based on the net book value of the Property of HK\$11,063,705.00 as at 31 March 2007.

Save as mentioned, there will be no material impact on the Group's earnings, assets and liabilities.

ADDITIONAL INFORMATION

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

Yours faithfully
By Order of the Board
Artfield Group Limited
LEUNG Heung Ying, Alvin
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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 executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which 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 or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Shares or underlying Shares (long position):

Name of Director	Class of securities held	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company (%)
Mr. Leung Heung Ying, Alvin	Share options	3,044,785 (L)	1.00

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which 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 or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

(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

Save as disclosed below and under the section “Directors’ interests and short positions in the securities of the Company and its associated corporations” above, so far as is known to the Directors, as at the Latest Practicable Date, the following persons, other than the Directors or chief executives of the Company, had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, 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:

Interest in the Shares or underlying Shares (long position):

Name of Shareholder	<i>Note</i>	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company (%)
Mr. Yam Tak Cheung	<i>1</i>	Interest held through controlled corporation	119,184,300 (L)	39.14
Marigold Worldwide Group Limited	<i>1</i>	Beneficial owner	119,184,300 (L)	39.14
Mr. Wong Man Hin, Charles	<i>2</i>	Beneficial owner	60,895,000 (L)	20.00

(L) Long position

Note:

1. These 119,184,300 Shares are owned by Marigold Worldwide Group Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Yam Tak Cheung.
2. Mr. Wong was deemed to be interested in 60,895,000 Shares pursuant to the option subscription agreement dated 24 August 2007, completion of which is subject to the fulfilment of certain conditions set out in the agreement. The options, if fully exercised, will result in the issuance and allotment of 60,895,000 Shares which represents approximately 20.00% of the existing issued share capital of the Company of 304,478,584 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had, or were deemed or taken to have, an interest or short position in the Shares, or underlying Shares of the Company 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 were, 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.

As at the Latest Practicable Date, none of the Directors or proposed Director is a director or employee of a company which has an interest or short position in the Shares, or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SHARE CAPITAL

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

<i>Authorized:</i>	<i>HK\$</i>
<u>900,000,000</u> Shares	<u>90,000,000.00</u>
<i>Issued and fully paid up:</i>	
<u>304,478,584</u> Shares	<u>30,447,858.40</u>

4. MATERIAL LITIGATION

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

6. 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 not expire or may not be terminated by the Group within one year without payment of compensation (other than statutory compensation).

7. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its principal place of business in Hong Kong is at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary and qualified accountant of the Company is Ms. Choy Siu Ching at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Ms. Choy is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants.
- (c) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited, Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular, shall prevail over the Chinese text in the case of inconsistency.