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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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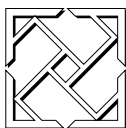
**If you are in any doubt** as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Artfield Group Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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### **ARTFIELD GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1229)**

## **PROPOSED SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BOND AND INCREASE IN AUTHORISED SHARE CAPITAL**

**Financial adviser to Artfield Group Limited**

 **OPTIMA**  
CAPITAL  
**Optima Capital Limited**

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A notice convening a special general meeting of the Company (“SGM”) to be held at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 10 March 2008 at 11:00 a.m. is set out on pages 32 to 34 of this circular. A form of proxy for use at the SGM is also enclosed.

Whether or not you are able to attend and vote at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) if you so wish.

21 February 2008

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 28 January 2008
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Baron”	Baron Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO
“Board”	the board of Directors
“business day”	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Call Options”	the 60,895,000 call options granted by the Company to the Call Option Holder, pursuant to an option subscription agreement dated 24 August 2007 whereby the Call Option Holder has the right to require, at any time during the option period, the Company to procure the delivery of one Share upon exercise of each call option (in total 60,895,000 Shares) by way of issuance and allotment of new Shares at the exercise price of HK\$1.165 per Share (subject to adjustment)
“Call Option Holder”	Mr. Wong Man Hin, Charles, being the only holder of Call Options
“Call Option Offer”	the cash offer for the transfer of all outstanding Call Options to be made by the Offeror in accordance with the Takeovers Code
“Company”	Artfield Group Limited (stock code: 1229), a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange

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## DEFINITIONS

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“Completion”	completion of the Subscription Agreement
“Completion Date”	three business days after all of the conditions of the Subscription Agreement have been fulfilled by the Company or, as the case may be, waived by the Subscriber (or such later date as the Company and the Offeror may agree in writing)
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	HK\$0.20 per Conversion Share (subject to adjustment)
“Conversion Shares”	the aggregate of 1,000,000,000 new Shares to be issued by the Company upon full conversion of the Convertible Bond
“Convertible Bond”	the convertible bond in the principal amount of HK\$200,000,000 to be issued by the Company to and subscribed by the Subscriber upon Completion
“Convertible Bond Subscription”	subscription of the Convertible Bond by the Subscriber under the Subscription Agreement
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	11 January 2008, being the last trading day prior to the suspension of trading of the Shares as from 2:30 p.m. on 11 January 2008 pending the release of the Announcement
“Latest Practicable Date”	18 February 2008, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2008 (or such later date as the Company and the Subscriber may agree in writing)

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## DEFINITIONS

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“Maturity Date”	the last day for the Company to repay the outstanding amount under the Convertible Bond, that is a date falling 36 months from the date of issue of the Convertible Bond certificate. The date of issue of the Convertible Bond certificate will be the Completion Date
“Offeror” or “Subscriber”	Ascent Goal Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Offers”	together, the Share Offer, the Call Option Offer and the Share Option Offer
“PRC”	The People’s Republic of China
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, and the issue and allotment of the Conversion Shares; and the increase in authorised share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the cash offer to be made by the Offeror in accordance with the Takeovers Code for all the existing issued Shares (other than the Shares which will be held by the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any one of them)

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## DEFINITIONS

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“Share Options”	an aggregate of 9,129,570 share options granted by the Company pursuant to the share option scheme of the Company adopted on 28 August 2003
“Share Option Holders”	holders of the Share Options
“Share Option Offer”	the cash offer for the cancellation of all outstanding 9,129,570 Share Options to be made by the Offeror in accordance with the Takeovers Code
“Share Subscription”	subscription of the Subscription Shares by the Subscriber under the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 15 January 2008 entered into between the Company as the issuer, the Offeror as the subscriber for the Subscription Shares and the Convertible Bond
“Subscription Price”	HK\$0.20 per Subscription Share
“Subscription Share(s)”	400,000,000 new Shares, representing 56.78% of the enlarged issued share capital of the Company (immediately after Completion) to be subscribed for in cash consideration by the Subscriber pursuant to and in accordance with the terms of the Subscription Agreement
“Subscriptions”	the Share Subscription and the Convertible Bond Subscription
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### **ARTFIELD GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1229)**

*Directors:*

Mr. LEUNG Heung Ying, Alvin (*Managing Director*)  
Ms. CHUNG Oi Ling, Stella  
Mr. LO Chi Ho, William  
Mr. LO Ming Chi, Charles<sup>#</sup>  
Mr. ORR Joseph Wai Shing<sup>#</sup>  
Mr. WONG Ngao San, Marcus<sup>#</sup>

<sup>#</sup> *Independent non-executive director*

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Room 1507, 15th Floor  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai, Hong Kong

21 February 2008

*To the Shareholders, and for information only,  
the Share Option Holders and Call Option Holder*

Dear Sir or Madam,

### **PROPOSED SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BOND AND INCREASE IN AUTHORISED SHARE CAPITAL**

#### **1. INTRODUCTION**

The Company announced on 28 January 2008 that on 15 January 2008, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company (i) has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe in cash consideration of HK\$80,000,000 for a total of 400,000,000 Subscription Shares at the subscription price of HK\$0.20 per Subscription Share, representing 131.37% of the

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## LETTER FROM THE BOARD

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existing issued share capital of the Company and 56.78% of the issued share capital of the Company as enlarged by the Subscription Shares; and (ii) has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bond in the principal amount of HK\$200,000,000 simultaneously upon completion of the issue and allotment of the Subscription Shares.

The Subscription Agreement is conditional upon, among other things, approval of the Subscription Agreement by the Shareholders at the SGM. The conditions precedent to the Subscription Agreement are set out in the paragraph headed “Conditions of the Subscription Agreement” below. The Subscriber, its ultimate beneficial owners and associates and parties acting in concert with any one of them have no shareholding in the Company as at the Latest Practicable Date. Should they become owner of any Shares prior to the holding of the SGM, they shall abstain from voting on the resolution to be proposed at the SGM in relation to the Subscription Agreement and the transactions contemplated therein.

As at the date of the Subscription Agreement, the authorised share capital of the Company was HK\$90,000,000 divided into 900,000,000 Shares of HK\$0.10 each, of which 304,478,584 Shares have been issued and are fully paid or credited as fully paid. In order to cater for the issue of Subscription Shares and the Conversion Shares which may be issued upon conversion of the Convertible Bond, the Board proposes to increase the authorised share capital of the Company from HK\$90,000,000 divided into 900,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,100,000,000 unissued Shares. The proposed increase in authorised share capital is conditional upon the passing of an ordinary resolution by Shareholders at the SGM. No Shareholders are required to abstain from voting in respect of this resolution.

This circular provides you with, among other things, (i) further details of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Subscription Shares, the issue of the Convertible Bond and the issue and allotment of the Conversion Shares) and the increase in authorised share capital of the Company; (ii) further information of the Group; and (iii) a notice of the SGM.



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## LETTER FROM THE BOARD

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### 2. SUBSCRIPTION AGREEMENT

#### **The Share Subscription**

Issuer : the Company

Subscriber : Ascent Goal Investments Limited, which is wholly-owned by China Sonangol International Limited, a company incorporated in Hong Kong with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons, and are not parties acting in concert with any connected persons of the Company. Prior to and save for the entering into of the Subscription Agreement between the Company and the Subscriber, the Subscriber and its ultimate beneficial owners had no relationship with the Company and its connected persons. As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owners and associates and parties acting in concert with any one of them did not own any Shares.

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe in cash consideration of HK\$80,000,000 for a total of 400,000,000 Subscription Shares at the subscription price of HK\$0.20 per Subscription Share.

The Subscription Shares represent 131.37% of the existing issued share capital of the Company and 56.78% of the issued share capital of the Company as enlarged by the Subscription Shares.

#### **The Subscription Price**

The subscription price of HK\$0.20 per Subscription Share was determined after arm's length negotiations between the Company and the Subscriber.

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## LETTER FROM THE BOARD

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The Subscription Price represents (i) a discount of approximately 86.8% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 85.5% to the average closing price of approximately HK\$1.38 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 83.9% to the closing price of HK\$1.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (iv) a premium of approximately 36.1% over the Group's unaudited net asset value of approximately HK\$0.147 per Share as at 30 September 2007. As at 30 September 2007, the Group had unaudited net asset value of approximately HK\$44,631,000; and unaudited net loss for the six months ended 30 September 2007 was approximately HK\$10,387,000.

The Directors note that the Subscription Price is at substantial discounts to the recent market prices of the Shares. The Group has been suffering from losses for the past few years and its net asset base has been decreasing over the years. In view of the prospects relating to natural resources generally, the Company believes that diversifying into this industry will be a sound strategy for the Company's business development. The Subscriber has indicated to the Board that it will treat its investment in the Company as long-term investment. The Directors believe that the Group would benefit from the Subscriber's financial and management resources and extensive experience in oil industry, trading and properties investment areas as discussed under the section headed "Information on and intentions of the Subscriber" below. The Directors note that the Subscription Price is at significant discounts to the prevailing market prices of the Shares. However, taking note of the relatively thin net asset base of the Group and the losses it has recorded for the past few years, the Directors consider that the prevailing market prices are not supported by the fundamentals of the Group. In the circumstances, the Directors consider that net asset value would be more relevant benchmark for determining the issue price of Subscription Shares, in particular, for arm's length long-term investors. Accordingly, the Directors consider that the Subscription Price, representing a premium of approximately 36.1% over the Group's unaudited net asset value of approximately HK\$0.147 per Share as at 30 September 2007, are favourable terms to the Company. The Directors consider that without the long term commitment from the Subscriber by way of the subscription of the Subscription Shares and the Convertible Bond, the Group would not have the access to the natural resources industry and the necessary financial resources to explore any new business opportunities in the natural resources industry; and hence, there may not be any substantial improvement in the Group's financial performance. Taking account of the above factors, in particular the fact that the Subscription Price represents a premium over the Group's net asset value and the strategic value contributed by the Subscriber, the Board is of the view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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In addition, the Subscription Price represents a discount of approximately 86.8% to the closing price as quoted on the Stock Exchange on the Last Trading Day whereas the Share Offer price represents a discount of approximately 13.9% to the closing price as quoted on the Stock Exchange on the Last Trading Day. The Directors are of the view that the Subscriptions offer new capital injection to the Company for its future development whereas the Share Offer offers an exit opportunity for the existing Shareholders. Taking into account the above analysis on the Subscription Price and the below analysis on the Share Offer price under the section of “The Possible Offers”, the Directors (including the independent non-executive Directors) consider that the Subscription Price and the Share Offer price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate consideration for the Subscription Shares of HK\$80,000,000 will be payable to the Company by cash upon Completion by the Subscriber for the issue and allotment of the Subscription Shares. The Subscriber has paid a deposit of HK\$2,000,000 to the Company on the day following the date of the Subscription Agreement. In the event any of the conditions set out in the paragraph headed “Conditions of the Subscription Agreement” is not fulfilled (or being waived by the Subscriber) on or before the Long Stop Date, the Company shall refund the deposit of HK\$2,000,000 to the Subscriber in full (without interest) and no party shall have any right to damages or reimbursement for any cost and expenses that it may have incurred in connection with or arising out of the Subscription Agreement or the failure to complete the Share Subscription.

An application has been made by the Company to the Listing Committee of the Stock Exchange for the approval of the listing of and the permission to deal in the Subscription Shares on the Stock Exchange.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares, including all rights to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

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## LETTER FROM THE BOARD

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### The Convertible Bond Subscription

Issuer : the Company

Subscriber : Ascent Goal Investments Limited

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bond in the principal amount of HK\$200,000,000 simultaneously upon completion of the issue and allotment of the Subscription Shares.

The principal terms of the Convertible Bond are set out below:

**Principal amount** HK\$200,000,000

**Coupon** The Convertible Bond will bear no interest.

**Maturity** Unless previously converted, the Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the Maturity Date, being the date falling 36 months from the date of issue of the Convertible Bond certificate.

**Conversion** The holders of the Convertible Bond may convert the whole or part of the principal amount of the Convertible Bond (in multiples of HK\$1,000,000) into such number of Shares determined by dividing the principal amount of the Convertible Bond being converted by the Conversion Price then in effect.

**Conversion price** HK\$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:

- (i) any consolidation or sub-division of the Shares;
- (ii) any issue of Shares (other than in lieu of a cash dividend) by way of capitalisation of profits or reserves;

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## LETTER FROM THE BOARD

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- (iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash;
- (iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement;
- (v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement;
- (vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price as at the date of the related announcement; or
- (vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price as at the date of the related announcement.

### **Conversion period**

The period commencing from the date of issue of the Convertible Bond certificate and ending on a date falling 36 months of the date of issue of the Convertible Bond certificate. The date of issue of the Convertible Bond certificate will be the Completion Date.

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## LETTER FROM THE BOARD

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<b>Redemption</b>	Neither the Company nor the holder of Convertible Bond shall at any time redeem (all or part of) the principal amount of the Convertible Bond outstanding prior to the Maturity Date.
<b>Transferability</b>	The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.
<b>Public float</b>	The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
<b>Ranking of Conversion Shares</b>	The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.

### **Listing of the Convertible Bond and the Conversion Shares**

No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognised stock or securities exchanges. However, application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

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## LETTER FROM THE BOARD

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### **The Conversion Price comparisons**

The initial Conversion Price of HK\$0.20 per Conversion Share (subject to adjustment) is the same as the Subscription Price, and was determined on the same basis as the Subscription Price. Taking into account the estimated expenses in relation to the issue of the Subscription Shares and the Conversion Shares (assuming full conversion of the Convertible Bonds), the net issue price of the new Shares to be issued under the Subscriptions is HK\$0.199. A comparison of the Subscription Price with the recent market prices and net asset value of the Group is set out in the paragraph headed “The Subscription Price” above.

The Board is of the view that the terms of the Convertible Bond Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon conversion in full of the Convertible Bond at the initial Conversion Price of HK\$0.20 per Share, an aggregate of 1,000,000,000 new Shares would fall to be issued representing 328.43% of the existing issued share capital of the Company and 58.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares.

### **Conditions of the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon the following conditions being fulfilled:

- (a) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Subscription Agreement to the Completion Date, save for any temporary suspension not exceeding 10 consecutive trading days (except for the suspension for the purpose of clearing any announcements to be released by the Company in relation to the Subscription Agreement or matters contemplated therein), or such longer period as the Subscriber may accept in writing, and no indication being received on or before the Completion Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the Completion or in connection with the terms of the Subscription Agreement;
- (b) the authorised share capital of the Company being increased from 900,000,000 Shares to 5,000,000,000 Shares;

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## LETTER FROM THE BOARD

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- (c) listing of and permission to deal in all of the Subscription Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to conditions which are acceptable to the Subscriber in its opinions);
- (d) listing of and permission to deal in all of the Conversion Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to conditions which are acceptable to the Subscriber in its opinions);
- (e) passing of the shareholders resolutions which are necessary to give effect to the transactions contemplated under the Subscription Agreement and comply with the Listing Rules and the Takeovers Code (if required) including (i) the approval of the terms of the Subscription Agreement; (ii) the increase in the authorised share capital of the Company from 900,000,000 Shares to 5,000,000,000 Shares; (iii) the approval of the issue and allotment of the Subscription Shares; and (iv) the approval of the issue and allotment of the Conversion Shares;
- (f) the granting of any other waivers, consents, authorisations, clearances and approvals which are required from the Shareholders, the Stock Exchange and/or the SFC, which the Subscriber reasonably considers are necessary for the Completion and the implementation of the other matters contemplated under the Subscription Agreement;
- (g) the warranties of the Subscription Agreement remaining true and accurate in all material respects, and not misleading in any material respect, on the date of the Subscription Agreement and at Completion; and
- (h) the Company having complied fully with its obligations under the Subscription Agreement on or prior to the Completion Date.

In the event that any of the conditions is not fulfilled or waived (as the case may be) by 5:00 p.m. (Hong Kong time) on the Long Stop Date (or such other date as the Company and the Subscriber may agree in writing), the Subscription Agreement shall cease and determine and thereafter neither party shall have obligations and liabilities thereunder save for any antecedent breaches thereof.



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## LETTER FROM THE BOARD

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### Completion

Completion of the Subscription Agreement shall take place on the third business day following the date on which all the above conditions are fulfilled or waived, as the case may be (or such other date as the Company and the Subscriber may agree in writing).

In accordance with the respective terms of the grant of the Call Options under an option subscription agreement and the share option scheme of the Company adopted on 28 August 2003 pursuant to which the Share Options have been granted, there will not be any adjustment required to be made on the exercise prices of or number of new Shares to be issued under the Call Options and Share Options as a result of completion of the Subscriptions.

The Subscription Agreement is conditional upon the fulfillment and/or waiver of certain conditions and the Offers will only be made in the event of the occurrence of Completion. Accordingly, the Subscription Agreement may or may not be completed and the Offers may or may not proceed.

The Company undertakes to the Stock Exchange that it will notify the Stock Exchange in writing from time to time when it is notified by the relevant holder(s) of the Convertible Bond of any acquisition/transfer of the Convertible Bond and/or conversion of any Convertible Bond by connected persons of the Company other than by the Subscriber, its ultimate beneficial owners and associates and parties acting in concert with any one of them.

Subject to Completion, the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange for so long as any Convertible Bond is outstanding. Such Monthly Announcement will be made on or before the fifth business day following the end of each calendar month and will include the following information in table form:

- (i) whether there has been any conversion of the Convertible Bond during the relevant month. If yes, the relevant Monthly Announcement will set out details of the conversion(s), including the conversion date, number of new Shares which fall to be issued and the conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect will be made;
- (ii) the outstanding principal amount of the Convertible Bond after the conversion(s), if any;

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## LETTER FROM THE BOARD

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- (iii) the total number of new Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company;
- (iv) the total issued share capital of the Company as at the commencement of the first day and the last day of the relevant month; and
- (v) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Bond reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bond (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) to (iv) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bond (as the case may be) up to the date on which the total amount of the Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bond (as the case may be).

### **Reasons for the Subscription Agreement**

The Group is principally engaged in marketing and trading of clocks and other office related products, lighting products and trading of metals. As stated in the section headed “The Subscription Price” above, the Group has been suffering from losses for the last few years and its net asset base as a result has been decreasing over the years. As set out in the interim report of the Group for the six months ended 30 September 2007, the Group endeavors to broaden and expand its scope of business and income stream. In view of the prospects relating to natural resources generally, the Company believes that diversifying into this industry will be a sound strategy for the Company’s business development. As set out under the section headed “Information on and intentions of the Subscriber” below, Sonangol E.P., being indirectly interested in 30% of the Subscriber, is believed to have strong industry network in the oil and natural resources businesses. The Subscriber has indicated to the Board that it will treat its investment in the Company as long-term investment. The Directors believe that the Group would benefit from the Subscriber’s financial and management resources and extensive experience in oil industry, trading and properties investment areas. The Directors consider that the issue of the Subscription Shares and the Convertible Bond to the Subscriber would enable the Group to leverage on the expertise and connection of the Subscriber and its direct and indirect shareholders in the natural resources industry, to which the Group currently does not have any access.

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## LETTER FROM THE BOARD

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Since there is no specific plan or target to which the Company is committed at present, the Directors are of the view that without similar strategic value contributed by the Subscriber, the Company is not justified to afford the effort and cost to pursue other fund raising activities of similar size. In any case, without a concrete business plan and given the unsatisfactory financial performance of the Group and the recent volatile market conditions, the Directors consider that the Company would not be able to secure any arm's length underwriters to pursue equity fund raising exercises like rights issue or open offer, not to mention that the Company has in the past experienced difficulties in obtaining sizable bank loans because of the lack of a sustainable profit trend. To this end, the Directors consider that even if bank borrowings or other debt securities could have been raised by the Group, they would not give any strategic investment value to the Group as that could be brought by the Subscriptions. In this light, the Directors consider these alternative fund raising exercises are not the appropriate course to take for the Company under the present circumstances. Accordingly, the Directors (including the independent non-executive Directors) consider that, rather than pursuing debt financing or other equity financing, it is in the interests of the Company and the Shareholders to secure investment commitment from the Subscriber by way of the Subscriptions.

The net proceeds from the Subscriptions are estimated to be approximately HK\$278 million. The Directors intend to use the net proceeds of HK\$240 million for future business investments particularly in the natural resources and/or PRC properties areas and the remaining balance of the proceeds will be used for recruitment of relevant new employees to strengthen the management team of the Company and for general working capital purposes. Although there is no specific plan or target to which the Company is committed at present, the Subscriptions provide an ample opportunity for the Group to raise a substantial amount of funding equipping it to tap into any promising investments and/or projects efficiently if opportunities arise.

The Directors note that the Subscription Price and the Conversion Price are at substantial discounts to the recent market prices of the Shares. However, taking note of the relatively thin net asset base of the Group and the losses it has recorded for the past few years, the Directors consider that the prevailing market prices are not supported by the fundamentals of the Group. In the circumstances, the Directors consider that net asset value should be more relevant benchmark in determining the issue price of the Subscription Shares, in particular, for arm's length long-term investors. Accordingly, the Directors consider that the Subscription Price and the Conversion Price, representing approximately 36.1% over the Group's unaudited net asset value of approximately HK\$0.147 per Share as at 30 September 2007, represent favourable terms to the Company. The Directors therefore consider that the terms of the Subscription Agreement, including the Subscription Price and the Conversion Price, are fair and reasonable and are in the interests of the Company and the

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## LETTER FROM THE BOARD

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Shareholders as a whole. The Directors also take note that the Subscription Price and the Conversion Price are at substantial discount to the price for the Share Offer, at HK\$1.30 per Share. Given that the Subscription Agreement relates to the raising of new capital and funding for the Company, and the Shares subject to the Share Offer concern existing Shares which have no impact on the financial improvement of the Company, the Directors consider it is reasonable that there are differences in the Subscription Price and the Conversion Price on the one hand, and the price for the Share Offer on the other hand. The Share Offer price which was set with reference to the recent market price also provides an exit opportunity for the existing Shareholders who wish to realise their investments.

### Fund raising activities of the Company in the last 12 months

Save for the option subscription agreement dated 24 August 2007 entered into between the Company and Mr. Wong Man Hin, Charles, who is a third party independent of the Company and its connected persons, in relation to the grant of the Call Options, the Company has not carried out any other fund raising activities in the 12 months preceding the date of the Announcement. The following table summarises the details of the grant of the Call Options:

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
28 August 2007	Grant of the Call Options to subscribe up to 60,895,000 Shares at HK\$1.165 per Share	<p>HK\$0.6 million option fee has been received by the Group</p> <p>HK\$70.9 million upon exercise of the Call Options in full has not been received by the Group (as at the Latest Practicable Date, none of the Call Options has been exercised)</p>	<p>Net proceeds of HK\$70.9 million is intended to be used for possible diversified investment or project which is expected to improve the profitability, sustain its growth momentum, and broaden the revenue stream of the Group</p>	<p>Option fee of HK\$0.6 million has been used for general working capital purpose</p> <p>Not applicable for the net proceeds upon exercise of the Call Options (as at the Latest Practicable Date, none of the Call Options has been exercised)</p>

## LETTER FROM THE BOARD

### Shareholding structure of the company before and after Completion

The following table illustrates the changes in the shareholding structure of the Company before and after Completion. The information in the table below has been prepared based on the register required to be kept by the Company under section 336 of the SFO as at the Latest Practicable Date, taking no account of the acceptances by Shareholders of the Offers.

	As at the Latest Practicable Date		After Completion							
			Before exercise of the conversion rights attaching to the Convertible Bond (Assuming no exercise of Call Options and Share Options)				Immediately after the exercise in full of the conversion rights attaching to the Convertible Bond (Assuming no exercise of Call Options and Share Options) (Note 3)			
			Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Marigold Worldwide Group Limited (Note 1)	116,684,300	38.32	116,684,300	16.56	116,684,300	6.84	116,684,300	15.06	116,684,300	6.58
Call Option Holder (Note 2)	-	-	-	-	-	-	60,895,000	7.86	60,895,000	3.43
Share Option Holders (Note 4)	-	-	-	-	-	-	9,129,570	1.18	9,129,570	0.51
The Offeror, its ultimate beneficial owners and parties acting in concert with any one of them	-	-	400,000,000	56.78	1,400,000,000	82.14	400,000,000	51.65	1,400,000,000	78.90
Public Shareholders	187,794,284	61.68	187,794,284	26.66	187,794,284	11.02	187,794,284	24.25	187,794,284	10.58
<b>Total</b>	<b>304,478,584</b>	<b>100.00</b>	<b>704,478,584</b>	<b>100.00</b>	<b>1,704,478,584</b>	<b>100.00</b>	<b>774,503,154</b>	<b>100.00</b>	<b>1,774,503,154</b>	<b>100.00</b>
<b>Total public float</b>	<b>187,794,284</b>	<b>61.68</b>	<b>187,794,284</b>	<b>26.66</b>	<b>304,478,584</b>	<b>17.86</b>	<b>251,734,069</b>	<b>32.50</b>	<b>368,418,369</b>	<b>20.76</b>

*Notes:*

- Marigold Worldwide Group Limited is wholly-owned by Mr. Yam Tak Cheung. Marigold Worldwide Group Limited will be treated as a public Shareholder if it holds less than 10% of the issued share capital of the Company.
- Call Option Holder, being Mr. Wong Man Hin, Charles, is a third party independent of the Company and its connected persons.
- This column is for illustration purpose only. Pursuant to the terms of the Convertible Bond, the conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
- Upon full exercise of the Share Options, 3,044,785 new Shares will be issued to public Shareholders and the remaining 6,084,785 new Shares will be issued to certain Directors.

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## LETTER FROM THE BOARD

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### 3. THE POSSIBLE OFFERS

Upon completion of the Subscription Agreement, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any one of them will own 400,000,000 Shares, representing approximately 56.78% of the issued share capital of the Company as enlarged by the Subscription Shares. Subject to this, the Offeror is obliged to make an unconditional mandatory general offer in respect of all the issued Shares (other than those already owned by or agreed to be subscribed for or acquired by the Offeror and parties acting in concert with it) in accordance with Rule 26 of the Takeovers Code. The Offeror will also be required to make a comparable offer for all the outstanding Call Options and Share Options under Rule 13 of the Takeovers Code. As such, the unconditional mandatory general offers for the Call Options and the Share Options will also be made by the Offeror to the Call Option Holders and the Share Option Holders.

The Subscription Agreement is conditional upon the fulfillment and/or waiver of certain conditions and the Offers will only be made in the event of the occurrence of Completion. Accordingly, the Subscription Agreement may or may not be completed and the Offers may or may not proceed.

Immediately after and subject to Completion, Baron will, on behalf of the Offeror, make (i) the Share Offer to acquire all the issued Shares (other than those already owned by or agreed to be subscribed for or acquired by the Offeror and parties acting in concert with it); (ii) the Call Option Offer for the transfer of all outstanding Call Options; and (iii) the Share Option Offer for cancellation of all outstanding Share Options on the terms to be set out in the offer document to be issued in respect of the Offers on the following basis:

#### **The Share Offer**

For each existing Share ..... HK\$1.30 in cash

The Share Offer values the entire existing issued share capital of the Company at approximately HK\$395.8 million.

The Share Offer price of HK\$1.30 per Share was determined with reference to the average closing price of approximately HK\$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day. It represents:

- a discount of approximately 13.9% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 5.8% to the average closing price of approximately HK\$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- a premium of approximately 4.8% over the closing price of HK\$1.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- approximately 7.7 times over the Group's audited net asset value of approximately HK\$0.17 per Share as at 31 March 2007, being the date to which the latest audited consolidated financial accounts of the Company were drawn up.

The Shares to be acquired under the Share Offer shall be free and clear of all liens, charges and encumbrances whatsoever and have all rights as at the Completion Date or thereafter attaching thereto (including the right to all dividends and distributions declared, paid or made on or after the Completion Date).

No Shareholder has undertaken with the Offeror to accept or reject the Share Offer.

### **The Call Option Offer**

For transfer of each of 60,895,000  
Call Options with exercise price  
at HK\$1.165 per Share ..... HK\$0.135 per Call Option in cash

The price for transfer of the Call Options under the Call Option Offer is determined by reference to the exercise price of the Call Options at HK\$1.165 per Share. The Call Option Holder is an independent third party not connected with the Company.

Under the terms of the Call Option Offer, the Call Options together with all rights attaching thereto will be transferred to the Offeror free and clear of all liens, charges and encumbrances whatsoever. The Offeror has not received any irrevocable commitment from the Call Option Holder to accept or reject the Call Option Offer.

### **The Share Option Offer**

- (i) For cancellation of each of  
6,089,570 Share Options  
with exercise price at  
HK\$1.146 per Share ..... HK\$0.154 per Share Option in cash
- (ii) For cancellation of each of  
3,040,000 Share Options  
with exercise price  
at HK\$1.26 per Share ..... HK\$0.04 per Share Option in cash

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## LETTER FROM THE BOARD

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The prices for cancellation of the Share Options under the Share Option Offer are determined by reference to the respective exercise prices of the Share Options.

Under the terms of the Share Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced. No Share Option Holders has undertaken to the Offeror to accept or reject the Share Option Offer.

Pursuant to the share option scheme of the Company adopted on 28 August 2003 under which the Share Options were granted to the Share Option Holders, in the case that a general offer is made to the Shareholders, the Share Option Holders will be entitled to exercise the Share Options in full at any time before the close of the offer, after which the Share Options shall lapse according to the terms of the share option scheme.

Save for the Call Options and the Share Options as mentioned above, there was no outstanding options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

#### **4. INFORMATION ON THE GROUP**

The Company is an investment holding company. The principal activities of the Group are marketing and trading of clocks and other office related products, lighting products and trading of metals. For each of the two years ended 31 March 2006 and 2007, the Group recorded audited loss before tax of approximately HK\$70,595,000 and HK\$128,038,000 respectively, and audited loss attributable to equity holders of the Company of approximately HK\$72,149,000 and HK\$124,577,000 respectively. The unaudited equity attributable to equity holders of the Company as at 30 September 2007 was approximately HK\$44,631,000.



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## LETTER FROM THE BOARD

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### 5. INFORMATION ON AND INTENTIONS OF THE SUBSCRIBER

Ascent Goal Investments Limited, the Subscriber, is an investment holding company incorporated under the laws of British Virgin Islands with limited liability, and a wholly-owned subsidiary of China Sonangol International Limited. Save for the entering into of the Subscription Agreement, Ascent Goal Investments Limited has not conducted any business since its incorporation and has no material assets and liabilities. Ms. Lo Fong Hung is the sole director of Ascent Goal Investments Limited.

China Sonangol International Limited is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in the exploration, development, production and sale of crude oil, property and hotel investment, and investment holdings. It is beneficially owned as to 70% by New Bright International Development Limited and 30% by Sonangol E.P.. Ms. Lo Fong Hung, Ms. Fung Yuen Kwan, Veronica and Mr. Manuel Domingos Vincente are the directors of China Sonangol International Limited.

New Bright International Development Limited is ultimately and beneficially owned as to 30% by Ms. Lo Fong Hung and 70% by Ms. Fung Yuen Kwan, Veronica. It is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in investment holding. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are the directors of New Bright International Development Limited. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are business partners.

Sonangol E.P. is a 100% state-owned oil company of the Republic of Angola which is responsible for the management of oil and gas reserves in Angola.

The Company becomes acquainted with the Subscriber through Baron. Prior to the entering into of the Subscription Agreement, neither the Subscriber, its beneficial owners nor the parties acting in concert with any of them owned any Shares. Save for the entering into of the Subscription Agreement, none of the Subscriber, its beneficial owners and parties acting in concert with any of them has dealt in any Shares during the period commencing on the date of the six months prior to 28 January 2008, being the date on which the offer period commenced.

The Subscriber intends that apart from maintaining the existing business of the Group, it will actively seek for investment opportunities in order to broaden and expand the business and operations of the Group, particularly in natural resources and/or PRC properties areas. However, there is no specific plan or target to which the Company is committed at present and no negotiation has taken place in this regards.

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## LETTER FROM THE BOARD

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In view of the losses continuously recorded by the Group for the past few years, the Subscriber will conduct a review of the financial position and operations of the Group. At present, there is no plan for the Subscriber to redeploy any fixed assets of the Group other than in its ordinary course of business. Although there is no plan to change the management structure and employees of the existing business save for the resignation of Directors after the close of the Offers if the Subscription Agreement becomes unconditional, new employees may be needed to help strengthening the corporate structure of the Group.

The Directors believe that, through completion of the Subscription Agreement, the Group could leverage on the financial and management resources in broadening the Group's business horizon and an extensive experience of China Sonangol International Limited, the shareholder of the Subscriber in the oil industry, trading and properties investment areas. In addition, Sonangol E.P., being indirectly interested in 30% of the Subscriber, is also believed to have strong industry network in the oil and natural resources businesses.

### **6. PROPOSED CHANGE OF BOARD COMPOSITION**

Pursuant to the Subscription Agreement, the Offeror has the right to appoint up to 4 persons to the Board. It is presently expected that the Offeror will nominate new directors to replace all the existing Directors (including the independent non-executive Directors) and a new chairman or chief executive officer will be appointed to the Group. Any appointment of new directors to the Board and any resignation of existing directors will be made in full compliance with the requirements of the Takeovers Code. Particulars of the proposed Directors will be published in the announcement after completion of the Subscription Agreement.

### **7. MAINTENANCE OF THE LISTING STATUS OF THE COMPANY**

The Offeror intends that the Company shall remain listed on the Stock Exchange. The new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Offeror undertakes to the Stock Exchange that following the closing of the Offers, appropriate steps will be taken to ensure that not less than 25% of the Shares will be held by the public. When the Offers close, should there be less than 25% of the issued Shares in public hands, the Offeror will take appropriate steps which may include placing down part of their interests in the Company to independent third parties not connected with or acting in concert with the Offeror, its ultimate beneficial owners and associates, the directors, chief executives or substantial

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## LETTER FROM THE BOARD

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shareholders of the Company or any of their respective subsidiaries or any of their respective associates as soon as practicable after closing of the Offers. The Stock Exchange has stated that if at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

In this connection, it should be noted that upon completion of the Offers, there may be an insufficient public float for the Shares and, therefore, trading in the Shares may be suspended until a sufficient level of public float is attained.

### **8. INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of the Subscription Agreement, the authorised share capital of the Company was HK\$90,000,000 divided into 900,000,000 Shares of HK\$0.10 each, of which 304,478,584 Shares have been issued and are fully paid or credited as fully paid. In order to cater for the issue of Subscription Shares and the Conversion Shares which may be issued upon conversion of the Convertible Bond, the Board proposes to increase the authorised share capital of the Company from HK\$90,000,000 divided into 900,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,100,000,000 unissued Shares. The proposed increase in authorised share capital is conditional upon the passing of an ordinary resolution by Shareholders at the SGM. No Shareholders are required to abstain from voting for this resolution.

### **9. DELAY IN DESPATCH OF THE OFFER DOCUMENT**

Rule 8.2 of the Takeovers Code provides that an offer document should normally be despatched by or on behalf of the offeror within 21 days of the date of the announcement of the terms of offer (i.e. the Announcement). Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of offer is subject to the prior fulfillment of a pre-condition and the pre-condition cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. An application has been made to the Executive pursuant to Note 2 to Rule 8.2 of the Takeovers Code for the consent to the delay in despatch of the composite offer document. The Executive has consented to the offer document to be despatched no later than 7 days of the Completion, and in any event, no later than 7 May 2008 (which is 7 days from the Long Stop Date). The composite offer document containing, among other things, the respective letters of advice from the independent board committee and the independent financial adviser, in relation to the Offers will be despatched to the Shareholders within 7 days from Completion. It is expected by the Company and the Subscriber that Completion will take place on or before the end of April 2008 and the Offers will commence within 7 days from the Completion.

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## LETTER FROM THE BOARD

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### 10. SGM AND PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

The Subscription Agreement and the transactions contemplated thereunder, and the increase in authorised share capital of the Company will be conditional upon the passing by the Shareholders of necessary ordinary resolutions at the SGM. The SGM will be held to consider and, if thought fit, approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, and the issue and allotment of the Conversion Shares; and (ii) the increase in authorised share capital of the Company. The Subscriber, its ultimate beneficial owners and associates and parties acting in concert with any one of them have no shareholding in the Company as at the Latest Practicable Date. Should they become owners of any Shares prior to the holding of the SGM, they shall abstain from voting on the resolutions to be proposed at the SGM in relation to the Subscription Agreement and the transactions contemplated thereunder. Save as aforesaid, no Shareholders shall abstain from voting on the resolution to approve the Subscription Agreement at the SGM. No Shareholders shall abstain from voting on the resolution to approve the increase in authorised share capital at the SGM.

The Shareholders' approval in respect of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, and the issue and allotment of the Conversion Shares is conditional on the approval on the increase in authorised share capital of the Company but not vice versa.

A notice convening the SGM to be held at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 10 March 2008 at 11:00 a.m. is set out on pages 32 to 34 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) if you so wish.

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## LETTER FROM THE BOARD

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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 by:

- (i) the chairman of such meeting; or
- (ii) 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) 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) 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 shares conferring that right.

### 11. RECOMMENDATION

Having considered the potential benefits which the Subscriptions would bring to the Group as contained in this circular, the Directors consider that the Subscription Agreement and the transactions contemplated thereunder (including the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, and the issue and allotment of the Conversion Shares); and the increase in authorised share capital of the Company are in the interests of the Company and the Shareholders as a whole and recommend all Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the SGM.

### 12. GENERAL

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

Yours faithfully,  
For and on behalf of the Board  
**Artfield Group Limited**  
**Leung Heung Ying, Alvin**  
*Managing Director*

**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 (other than those relating to the Subscriber) contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts (other than those relating to the Subscriber), the omission of which would make any statement herein misleading.

The information relating to the Subscriber in this circular has been taken from the Announcement. The only responsibility accepted by the Directors in respect of the information relating to the Subscriber is to ensure that it has been correctly and fairly reproduced or presented.

**DISCLOSURE OF INTERESTS****(a) Directors' and chief executives' 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 chief executives of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

*Long positions in underlying shares of the Company*

Name of director	Note	Nature of interest	Number of underlying Shares pursuant to Share Options	Approximate percentage of the issued share capital of the Company
Mr. Leung Heung Ying, Alvin	1	Personal interest	3,044,785	1.00
Mr. Lo Chi Ho, William	2	Personal interest	3,040,000	1.00

*Notes :*

- These share options were granted on 28 August 2007 pursuant to the share option scheme adopted by the Company on 28 August 2003 and are exercisable from 28 August 2007 to 27 August 2017 at a price of HK\$1.146 per Share. There is no vesting period for the options granted.

2. These share options were granted on 14 September 2007 pursuant to the share option scheme adopted by the Company on 28 August 2003 and are exercisable from 14 September 2007 to 13 September 2017 at a price of HK\$1.260 per Share. There is no vesting period for the options granted.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates, had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, 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’ and chief executives’ 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 Shares or underlying Shares (long position):***

<b>Name of Shareholder</b>	<b>Note</b>	<b>Nature of interest</b>	<b>Number of Shares and underlying Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Marigold Worldwide Group Limited	1	Beneficial owner	116,684,300	38.32
Mr. Yam Tak Cheung	1	Interests of controlled corporation	116,684,300	38.32
Ascent Goal Investments Limited	2	Beneficial owner	1,400,000,000	459.80

Name of Shareholder	Note	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company
China Sonangol International Limited	3	Interests of controlled corporation	1,400,000,000	459.80
New Bright International Development Limited	3	Interests of controlled corporation	1,400,000,000	459.80
Ms. Fung Yuen Kwan Veronica	4	Interests of controlled corporation	1,400,000,000	459.80
Mr. Wong Man Hin, Charles	5	Beneficial owner	60,895,000	20.00

*Notes:*

- These 116,684,300 shares are held by Marigold Worldwide Group Limited, a company incorporated in the British Virgin Islands, which is 100% beneficially owned by Mr. Yam Tak Cheung.
- These 1,400,000,000 Shares are owned by Ascent Goal Investments Limited, the Offeror, directly as beneficial owner pursuant to the Subscription Agreement, completion of which is subject to the fulfilment of the conditions set out under the paragraph "Conditions of the Subscription Agreement" in the section "Letter from the Board". It includes (i) interests in 400,000,000 Shares; and (ii) interests in HK\$200,000,000 Convertible Bond giving rise to an interest in 1,000,000,000 underlying Shares.
- Since Ascent Goal Investments Limited is a wholly-owned subsidiary of China Sonangol International Limited which is beneficially owned as to 70% by New Bright International Development Limited, the interests of Ascent Goal Investments Limited is deemed to be the interests of China Sonangol International Limited and in turn the interests of New Bright International Development Limited under the SFO.
- Ms Fung Yuen Kwan, Veronica is deemed to have interests in the Shares and underlying Shares through her 70% interest in New Bright International Development Limited.
- Mr. Wong Man Hin, Charles has interests in 60,895,000 Call Options, giving rise to an interest in 60,895,000 underlying Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company 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.



**SHARE OPTION SCHEME**

The Company adopted a share option scheme on 28 August 2003, 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.

Upon full exercise of the outstanding Share Options, 3,044,785 new Shares will be issued to public Shareholders and the remaining 6,084,785 new Shares will be issued to certain Directors.

**MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its head office and 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 secretary and qualified accountant of the Company is Choy Siu Ching. She is a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited, at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

**DOCUMENT AVAILABLE FOR INSPECTION**

Copy of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at the office of the Company at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2007;
- (c) the interim report of the Company for the six months ended 30 September 2007; and
- (d) the Subscription Agreement.

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# NOTICE OF SPECIAL GENERAL MEETING

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## ARTFIELD GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1229)**

**NOTICE IS HEREBY GIVEN THAT** a special general meeting of Artfield Group Limited (the “**Company**”) will be held at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 10 March 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions as ordinary resolutions of the Company:

### **ORDINARY RESOLUTIONS**

1. “**THAT** the authorised share capital of the Company be and is hereby approved to increase from HK\$90,000,000 divided into 900,000,000 shares of HK\$0.10 each (the “**Shares**”) to HK\$500,000,000 divided into 5,000,000,000 Shares by the creation of 4,100,000,000 unissued Shares, and such Shares, upon issue, shall rank pari passu in all respects with the existing Shares.”
2. “**THAT**, conditional upon the resolution 1 as set out in this notice being duly passed, the terms and conditions, execution, delivery, performance and implementation of the Subscription Agreement (as defined and described in the circular of the Company dated 21 February 2008 (the “**Circular**”)), a copy of which is produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated in or incidental to the Subscription Agreement be and are hereby approved, confirmed and ratified and any one of the directors of the Company (the “**Director**”) be and is hereby authorised on behalf of the Company:
  - (a) to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder;

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## NOTICE OF SPECIAL GENERAL MEETING

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- (b) subject to completion of the Subscription Agreement, to issue and allot the Subscription Shares (as defined and described in the Circular) in accordance with the terms of the Subscription Agreement;
- (c) subject to completion of the Subscription Agreement, to create and issue the Convertible Bond (as defined and described in the Circular) in accordance with the terms of the Subscription Agreement and to issue and allot the Conversion Shares (as defined and described in the Circular) upon exercise of the conversion rights attaching to the Convertible Bond in accordance with the terms and conditions attaching thereto;
- (d) to exercise or enforce all the rights of the Company under the Subscription Agreement; and
- (e) to complete the Subscription Agreement in accordance with its terms.”

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

Hong Kong, 21 February 2008

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Room 1507, 15th Floor  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai, Hong Kong

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A shareholder (member) of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company. A proxy need not be a member of the Company but must be present in person to represent the member. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he/she or they represent as such member of the Company could exercise.
2. The form of proxy must be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, any one of such holders may attend and vote at the meeting either personally or by proxy, but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of the said persons so present whose name stands first on the register of members in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint holders.
4. In order to be valid, the form of proxy, together with a power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power of attorney or other authority), must be deposited at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
5. Completion and deposit of the form of proxy will not preclude you from attending and voting in person at the meeting (or any adjournment thereof) if you so wish. In the event that you attend the meeting after having deposited a form of proxy, your form or forms of proxy shall be deemed to be revoked.

*As at the date of this notice, the board of directors of the Company comprises Mr. Leung Heung Ying, Alvin (Managing Director), Ms. Chung Oi Ling, Stella and Mr. Lo Chi Ho, William as executive directors, and Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus as independent non-executive directors.*