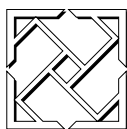

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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 accompanying form of proxy to the purchaser or the 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.



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

REVISION OF APPROVED CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Artfield Group Limited



**Independent financial adviser to the
Independent Board Committee and the Independent Shareholders**



**博大資本國際有限公司
Partners Capital International Limited**

A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on page 11 of this circular. A letter from Partners Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular.

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 13 March 2008 at 12:00 p.m. (or any adjournment thereof) is set out on pages 28 to 30 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 the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) if you so wish.

26 February 2008

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DEFINITIONS

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

“2007 Announcement”	the announcement of the Company dated 6 February 2007 in respect of, among other matters, the Supply Agreements
“2007 Circular”	the circular issued by the Company dated 14 March 2007 in respect of, among other matters, the Supply Agreements
“AI”	Artfield Industries (Shenzhen) Ltd., a wholly foreign owned enterprise established in the PRC with limited liability which is indirectly and beneficially owned by Mr. Liang and his spouse in equal shares
“AMCL”	Artfield Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability and an indirectly and wholly owned subsidiary of the Company
“Approved Caps”	the maximum amount of the aggregate annual value of the Supply Agreements as approved by the then independent shareholders of the Company at the special general meeting held on 30 March 2007
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Artfield Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning ascribed thereto in the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions between the Group and the private group of Mr. Liang under the Supply Agreements
“Directors”	the directors of the Company

DEFINITIONS

“First Supply Agreement”	a supply agreement dated 29 January 2007 and entered into between AMCL, RS and UG in relation to the sale of wooden products and the provision of electroplating services by RS and UG respectively to AMCL
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders on the Revised Caps
“Independent Shareholders”	Shareholders other than Mr. Liang and his associates
“Latest Practicable Date”	25 February 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liang”	Mr. Liang Jin You, a former executive Director, Chairman and Managing Director of the Company, who resigned from the said positions on 4 July 2007. Mr. Liang and his spouse are existing directors of AMCL
“Partners Capital”	Partners Capital International Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Caps
“PRC”	The People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan
“Revision of Approved Caps”	the revision of the annual caps for Continuing Connected Transactions under the Supply Agreements for the two financial years ending 31 March 2008 and 2009

DEFINITIONS

“Revised Caps”	the revised annual caps for the Continuing Connected Transactions for the two years ending 31 March 2008 and 2009
“RS”	Royal Success Enterprises Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned by Mr. Liang and his spouse in equal shares
“Second Supply Agreement”	a supply agreement dated 29 January 2007 and entered into between AI and AMCL in relation to the sale of clocks, timepieces, gift and premium products by AI to AMCL
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to approve the Revision of Approved Caps
“Shareholders”	holders of the Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreements”	the First Supply Agreement and the Second Supply Agreement
“UG”	Ultra Good Electroplating Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned by Mr. Liang and his spouse in equal shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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[#]
Mr. ORR Joseph Wai Shing[#]
Mr. WONG Ngao San, Marcus[#]

[#] *Independent non-executive director*

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal
place of business:*

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

26 February 2008

*To the Shareholders, and for information only,
the holders of share option and call option*

Dear Sir or Madam,

REVISION OF APPROVED CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Company announced on 11 February 2008 that it proposed to revise the Approved Caps in respect of the Continuing Connected Transactions. Reference is made to the 2007 Announcement and the 2007 Circular in relation to, among other things, the Continuing Connected Transactions.

LETTER FROM THE BOARD

As the amount of the Continuing Connected Transactions under the First Supply Agreement and the Second Supply Agreement for the financial year ending 31 March 2008 may exceed the Approved Caps of HK\$10.0 million and HK\$32.5 million respectively, the Company proposes to revise the caps for the year ending 31 March 2008 to HK\$15.0 million for the First Supply Agreement and to HK\$47.0 million for the Second Supply Agreement respectively. Furthermore, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors note that the existing annual caps for the financial year ending 31 March 2009 under the Supply Agreements will not be sufficient for the Group's requirement, and therefore propose to revise the relevant existing annual caps under the Supply Agreements. The First Supply Agreement involves, among other things, the sale of wood products to AMCL by RS and the provision of electroplating services to AMCL by UG while the Second Supply Agreement involves, among others, the sale of clocks, timepieces, gift and premium products to AMCL by AI.

As Mr. Liang and his spouse are existing directors of AMCL (a wholly owned subsidiary of the Company), AI, RS and UG, which are all ultimately and beneficially owned by Mr. Liang and his spouse in equal shares, are connected persons of the Company.

Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revision of Approved Caps. As the percentage ratio in relation to the Revised Caps under the Supply Agreements exceeds 2.5%, the Company must comply with the Independent Shareholders' approval requirements described in Rule 14A.48 of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Revised Caps at the SGM to be conducted by poll.

The purpose of this circular is to provide you with details of the Revision of Approved Caps and the Continuing Connected Transactions, to set out the recommendation of the Independent Board Committee and to set out the letter of advice from Partners Capital to the Independent Board Committee and the Independent Shareholders in respect of the Revised Caps.

LETTER FROM THE BOARD

BACKGROUND TO AND REASONS FOR THE REVISION OF APPROVED CAPS

Background

Reference is made to the 2007 Announcement and the 2007 Circular in relation to, among other things, the Continuing Connected Transactions. The Continuing Connected Transactions under the Supply Agreements were approved by the then independent shareholders of the Company at the special general meeting of the Company held on 30 March 2007 and the Approved Caps for the two financial years ending 31 March 2008 and 2009 are HK\$10.0 million and HK\$7.5 million for the First Supply Agreement; and HK\$32.5 million and HK\$26.0 million for the Second Supply Agreement respectively. Set out below is the proposed revision of caps for the two financial years ending 31 March 2008 and 2009:

	First Supply Agreement	
	Year ending 31 March	
	2008	2009
	<i>HK\$ million</i>	<i>HK\$ million</i>
Approved Caps	10.0	7.5
Revised Caps	15.0	15.0

	Second Supply Agreement	
	Year ending 31 March	
	2008	2009
	<i>HK\$ million</i>	<i>HK\$ million</i>
Approved Caps	32.5	26.0
Revised Caps	47.0	47.0

Save as disclosed, there is no current or prior transactions amongst RS, UG, AI and the Group which would require to be aggregated under Rule 14A.25 of the Listing Rules as at the Latest Practicable Date.

Reasons for the Revision of Approved Caps

The Company is an investment holding company. The principal activities of its subsidiaries are marketing and trading of clocks and other office related products, lighting products and trading of metals. Pursuant to the First Supply Agreement, RS will sell to AMCL wood products and UG will provide AMCL electroplating services on a non-exclusive basis whereas pursuant to the Second Supply Agreement, AI will sell to AMCL clocks, timepieces, gift and premium products on a non-exclusive basis.

LETTER FROM THE BOARD

As stated in the 2007 Announcement and 2007 Circular, the Approved Caps, which are significantly lower than the actual figures for the previous years, were determined with reference to the then and the anticipated difficult operating environment in the industries.

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 Group has been operating under difficult market environment in the past few years. Nevertheless, with the continuous effort of the management of the Group, during the six months period ended 30 September 2007, the Group achieved an approximately 45% decrease in the segment loss of the clocks and other office related products business while the segment turnover was just slightly decreased by approximately 2%, when compared with the results of the same period last year. Since the decrease in turnover of this business segment was not as substantial as previously expected, and the sales to AMCL under the First Supply Agreement and the Second Supply Agreement for the eight months ended 30 November 2007 have already reached approximately HK\$9.0 million and approximately HK\$28.5 million respectively, it is very likely that the amount of the Continuing Connected Transactions under the First Supply Agreement and the Second Supply Agreement for the financial year ending 31 March 2008 may exceed the Approved Caps of HK\$10.0 million and HK\$32.5 million respectively. Based on the best estimates and information currently available to the Directors, the actual amount of the transactions has not exceeded the Approved Caps as at the Latest Practicable Date. Furthermore, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors note that the existing annual caps for the financial year ending 31 March 2009 will not be sufficient for the Group's requirement, and therefore propose to revise the relevant existing annual caps under the Supply Agreements. As such, the Company proposes to revise the caps for the two years ending 31 March 2008 and 2009 to HK\$15.0 million for the First Supply Agreement and to HK\$47.0 million for the Second Supply Agreement respectively pursuant to Rule 14A.36 of the Listing Rules.

Save for the aforesaid, the other terms of the Continuing Connected Transactions under the Supply Agreements remain unchanged.

The Directors are of the view that the Continuing Connected Transactions have been conducted on normal commercial terms or on terms no less favourable than those available from independent third parties, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the Revised Caps are fair and reasonable.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE PRIVATE GROUP OF MR. LIANG

The Group is principally engaged in marketing and trading of clocks and other office related products, lighting products and trading of metals. As stated above, RS, UG and AI have been providers of certain products and services to AMCL under the Supply Agreements.

Mr. Liang and his spouse are the ultimate beneficial owners of RS, UG and AI. The subsidiary of RS is principally engaged in the manufacturing of wood products whereas the subsidiary of UG is principally engaged in the provision of electroplating services.

LISTING RULES IMPLICATIONS

As Mr. Liang and his spouse are existing directors of AMCL (a wholly owned subsidiary of the Company), AI, RS and UG, being ultimately beneficially owned by Mr. Liang and his spouse in equal shares, are connected persons of the Company. In the premises and in view of the continuing and recurring nature, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revision of Approved Caps. As the percentage ratio in relation to the Revised Caps under the Supply Agreements exceeds 2.5%, the Company must comply with the Independent Shareholders' approval requirements described in Rule 14A.48 of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Revised Caps at the SGM to be conducted by poll. At the SGM, Mr. Liang and his associates are required to abstain from voting on the resolutions in relation to the Revision of Approved Caps. Based on the information available to the Directors, as at the Latest Practicable Date, Mr. Liang and his associates were not interested in any Shares and should they become owner 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 Revised Caps.

An independent board committee composed of the independent non-executive Directors has been formed and Partners Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revision of Approved Caps and the transactions contemplated thereunder.

LETTER FROM THE BOARD

SGM

The Company will convene a SGM at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 13 March 2008 at 12:00 p.m. (or any adjournment thereof), to consider the Revision of Approved Caps. A notice of the SGM is set out on pages 28 to 30 of this circular. Mr. Liang and its associates will abstain from voting in respect of the ordinary resolutions proposed to approve the Revised Caps at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, the votes of Independent Shareholders taken at the SGM must be taken on poll.

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 and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof to the Company's share registrar in Hong Kong, Union Registrars Limited, at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof should you so wish.

POLL PROCEDURE

The votes to be taken at the SGM in relation to the Revision of Approved Caps will be taken by a poll, the results of which will be announced after the SGM. Pursuant to Bye-Law 66 of the Company, a resolution put to the vote at any general meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly 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

LETTER FROM THE BOARD

- (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.

In accordance with Rule 13.39(4) of the Listing Rules, the Chairman will demand a poll in relation to the resolutions approving the Revised Caps at the SGM.

RECOMMENDATION

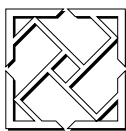
Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 11 of this circular. Your attention is also drawn to the letter of advice from Partners Capital to the Independent Board Committee and the Independent Shareholders in respect of the Revised Caps set out on pages 12 to 22 in this circular. The Independent Board Committee, having taken into account the advice of Partners Capital, considers that the Supply Agreements are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned and recommend that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Revised Caps at the SGM.

ADDITIONAL INFORMATION

Your attention is 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

26 February 2008

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF APPROVED CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 26 February 2008 of which this letter forms part (the “Circular”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to consider the Revision of Approved Caps and to advise the Independent Shareholders in connection with the Revised Caps as to whether, in our opinion, the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned. Partners Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Partners Capital as set out in this Circular. Having considered the principal factors and reasons considered by, and the advice of Partners Capital as set out in its letter of advice, we consider that the Supply Agreements are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. We also consider that the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Revised Caps at the SGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Lo Ming Chi, Charles

Orr Joseph Wai Shing

Wong Ngao San, Marcus

Independent non-executive Directors

LETTER FROM PARTNERS CAPITAL

The following is the letter of advice from Partners Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Hong Kong

26 February 2008

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

THE REVISION OF APPROVED CAPS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Revision of Approved Caps, particulars of which are set out in the letter from the Board (the "Letter from the Board") of this circular to the Shareholders dated 26 February 2008 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, as the amount of the Continuing Connected Transactions under the First Supply Agreement and the Second Supply Agreement for the financial year ending 31 March 2008 may exceed the Approved Caps of HK\$10.0 million and HK\$32.5 million respectively, the Company proposes to revise the caps for the year ending 31 March 2008 to HK\$15.0 million for the First Supply Agreement and to HK\$47.0 million for the Second Supply Agreement respectively. Furthermore, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors note that the existing annual caps for the financial year ending 31 March 2009 under the Supply Agreements will not be sufficient for the Group's requirement, and therefore propose to revise the relevant existing annual caps under the Supply Agreements. As such, the Company proposes to revise the caps for the two years ending 31 March 2008 and 2009 to HK\$15.0 million for the First Supply Agreement and to HK\$47.0 million for the Second Supply Agreement respectively pursuant to Rule 14A.36 of the Listing Rules. As Mr. Liang and his spouse are existing directors of AMCL (a wholly owned subsidiary of the Company), AI, RS and UG, being ultimately beneficially owned by Mr. Liang

LETTER FROM PARTNERS CAPITAL

and his spouse in equal shares, are connected persons of the Company. Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revision of Approved Caps. As the percentage ratio in relation to the Revised Caps under the Supply Agreements exceeds 2.5%, the Company must comply with the Independent Shareholders' approval requirements described in Rule 14A.48 of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Revised Caps at the SGM to be conducted by poll. Accordingly, the Independent Board Committee has been established to advise whether the Revision of Approved Caps are fair and reasonable and whether the Revision of Approved Caps are in the interests of the Company and the Shareholders as a whole. In this regard, Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. At the SGM, Mr. Liang and his associates are required to abstain from voting on the resolution(s) in relation to the Revision of Approved Caps. As at the Latest Practicable Date, Mr. Liang and his associates are not interested in any Shares and should they become owner 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 Revised Caps.

We are not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the Revision of Approved Caps, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Company, AMCL, AI, RS, UG and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM PARTNERS CAPITAL

THE REVISION OF APPROVED CAPS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Revision of Approved Caps, we have considered the following principal factors and reasons:

1. Background of and reasons for the Revision of Approved Caps

The Company is an investment holding company. The principal activities of its subsidiaries are marketing and trading of clocks, office related products, lighting products and trading of metals.

As set out in the 2007 Circular, RS, UG and AI were disposed of to Mr. Liang by the Company in order to reallocate and substantially free up its resources and fixed assets and refocus its operation into marketing and trading of general, branded and premium products. The First Supply Agreement involves, among other things, the sale of wood products to AMCL by RS and the provision of electroplating services to AMCL by UG while the Second Supply Agreement involves, among others, the sale of clocks, timepieces, gift and premium products to AMCL by AI. The Continuing Connected Transactions under the Supply Agreements enabled the Group to secure a stable supply of general, branded and premium products for its business operations. As stated in the 2007 Announcement and 2007 Circular, the Approved Caps, which are significantly lower than the actual figures for the previous years, were determined with reference to the then and the anticipated difficult operating environment in the industries. 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 Group has been operating in difficult market environment in the past few years. Nevertheless, with the continuous effort of the management of the Group, during the six months period ended 30 September 2007, the Group achieved an approximately 45% decrease in the segment loss of the clocks and other office related products business while the segment turnover was just slightly decreased by approximately 2%, when compared with the results of the same period last year. Since the decrease in turnover of this business segment was not as substantial as previously expected, and the sales to AMCL under the First Supply Agreement and the Second Supply Agreement for the eight months ended 30 November 2007 have already reached approximately HK\$9.0 million and approximately HK\$28.5 million respectively, it is very likely that the amount of the Continuing Connected Transactions under the First

LETTER FROM PARTNERS CAPITAL

Supply Agreement and the Second Supply Agreement for the financial year ending 31 March 2008 may exceed the Approved Caps of HK\$10.0 million and HK\$32.5 million respectively. Furthermore, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors note that the existing annual caps for the financial year ending 31 March 2009 will not be sufficient for the Group's requirement, and therefore propose to revise the relevant existing annual caps for the sales to AMCL under the Supply Agreements. As such, the Company proposes to revise the caps for the two years ending 31 March 2008 and 2009 to HK\$15.0 million for the First Supply Agreement and to HK\$47.0 million for the Second Supply Agreement respectively pursuant to Rule 14A.36 of the Listing Rules.

According to the Hong Kong Trade Development Council ("HKTDC"), Hong Kong is a leading exporter of watches and clocks in the world. In addition, according to the industry report titled "Watches and Clocks" published by the HKTDC on 4 January 2008, Hong Kong was the world's second largest exporter of complete watches and complete clocks in terms of both value and quantity in 2005. Hong Kong watches and clocks exports reached HK\$45,499 million, representing a 5% growth in the period from January to November 2007 as compared to the corresponding period in the previous year. However, exports of complete clocks dropped by 12% during the same period. As advised by the Company, notwithstanding the fact stated above, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors note that the existing annual caps for the financial year ending 31 March 2009 will not be sufficient for the Group's requirement and the Directors believe that the demand and the operating conditions of the Company in relation to the Continuing Connected Transactions would remain stable. We have reviewed the internal estimates of the demand of the Continuing Connected Transactions and compared such estimates with the historical transacted amounts and volumes contemplated under the Continuing Connected Transactions. We note that such internal estimates were prepared with reference to historical transacted amounts and volumes contemplated under the Continuing Connected Transactions and the orders on hand of the Company and we consider that the basis for preparing such internal estimates are fair and reasonable.

Against all the background as stated above, we consider that there is a commercial rationale for the Company to undertake the Revision of Approved Caps.

LETTER FROM PARTNERS CAPITAL

2. *Proposed maximum size for Revised Caps*

The historical figures of the Continuing Connected Transactions for the financial year ended 31 March 2007 and the eight months ended 30 November 2007, the Approved Caps for the two financial year ending 31 March 2009 and the Revised Caps are set out as follows:

<u>Nature of transaction</u>	<u>Historical amounts</u>			<u>Revised Caps</u>	
	<i>Actual amounts for the financial year ended 31 March 2006</i>	<i>Actual amounts for the financial year ended 31 March 2007</i>	<i>Actual amounts for the eight months ended 30 November 2007</i>	<i>Estimated amounts for the financial years ending 31 March 2008 31 March 2009</i>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
(a) Transactions contemplated under the First Supply Agreement	23.4	20.5	9.0	15.0 <i>10.0 (Note)</i>	15.0 <i>7.5 (Note)</i>
(b) Transactions contemplated under the Second Supply Agreement	52.2	40.9	28.5	47.0 <i>32.5 (Note)</i>	47.0 <i>26.0 (Note)</i>

Note: the figures in italic set out in the above table are the Approved Caps

- *First Supply Agreement*

Pursuant to the First Supply Agreement, RS will sell to AMCL wood products and UG will provide AMCL electroplating services on a non-exclusive basis. The prices for the wood products will depend on the type and nature of the wood products to be supplied and based on the ex-factory purchase price with reference to the existing prices of similar products in the market. The prices for the provision of electroplating services will depend on the type and nature of the services to be provided and determined on an order-by-order basis with reference to the existing prices of similar services in the market.

As stated in the 2007 Announcement and the 2007 Circular, the Approved Caps, which are significantly lower than the actual figures for the previous years, were determined with reference to the then and the anticipated difficult operating environment in the industries.

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The Board has taken into account the following factors to determine the Revised Caps:

- the Group achieved an approximately 45% decrease in the segment loss of the clocks and other office related products business during the six months period ended 30 September 2007 while the segment turnover was just slightly decreased by approximately 2%, when compared with the results of the same period last year;
- the decrease in turnover of this business segment was not as substantial as previously expected, and the sales to AMCL under the First Supply Agreement reached approximately HK\$9.0 million during the six months period ended 30 September 2007; and
- the internal estimates of the demand and the operating conditions of the Continuing Connected Transactions.

As advised by the Company, AMCL has not purchased those similar products provided by RS and received those similar services provided by UG respectively from independent suppliers in the past as these products and services have been tailor-made for AMCL whilst RS has not sold its products to independent customers. Moreover, as advised by the Company, UG has provided electroplating services to independent customers, most of which are different from those provided to AMCL. Besides, as advised by the Company, the Group has adopted internal procedures to regulate the Continuing Connected Transactions. In general, if the value of products to be placed with RS and/or UG exceeds US\$100,000 or the products to be placed are new products, AMCL is required to obtain quotations from independent suppliers for comparison. The Company will select the supplier which offers the most favourable terms with comparable quality products for that particular transaction. Upon reviewing the relevant invoices from UG and independent suppliers and as advised by the Company, we note that the electroplating services provided by UG and independent suppliers were not entirely equivalent. In this regard, we were advised by the Company that there were no comparable transactions for the above products and services available for direct comparison. Nevertheless, we have reviewed certain relevant invoices in relation to the procurement of products and services by AMCL from RS and UG respectively which have been confirmed as representative samples according to the Directors and we note that the pricing of the relevant products and services have been relatively stable during the two years ended 31 March 2007 and the eight months ended 30 November 2007 respectively. We have discussed with the Directors and management of AMCL and learnt that those relevant invoices in relation to the procurement of products and services by AMCL from RS and UG respectively were selected from a

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pool of transactions with sizable amounts and volumes and we consider that such basis is fair and reasonable. We also reviewed certain invoices from independent electroplating services providers and compared the pricing of their electroplating services with those provided by UG which are similar in nature and note that the levels of pricing for such similar services were comparable. As advised by the Company, in view that the inflation rate in the PRC remains relatively high during the last few quarters, the Directors believe that the pricing of the relevant products and services may follow the general trend of inflation in the PRC during the near future. In addition, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors believe that the demand and the operating conditions of the Company in relation to the Continuing Connected Transactions would remain stable. Accordingly, with the fairly constant price level and fairly stable production volume (implied from demand of the Company) and taking into account the fact that the actual amount of the transactions occurred between the parties under the First Supply Agreement in respect of Continuing Connected Transactions set out in the above table for the eight months ended 30 November 2007 would soon exceed the Approved Caps for the financial year ended 31 March 2008, it is understandable that the purchase of products and services from RS and UG respectively is expected to be dropping less rapidly during the two years ending 31 March 2009 than the Approved Caps and the actual transacted amount for each of the two years ended 31 March 2007. On the other hand, pursuant to the certain relevant invoices in relation to the purchase of products and services by AMCL from RS and UG respectively, we note that the credit terms granted by RS and UG to AMCL would be 30 days which is in line with the credit terms extended to AMCL by other suppliers. On the above basis, we consider that the purchases from RS and UG were and are in a position to be carried out on normal commercial terms.

Further, we note that the Group has taken a prudent approach to assume that there will be no growth in the monetary amount of the transactions between AMCL and RS or UG under the First Supply Agreement for the two years ending 31 March 2009 and we consider that this approach is reasonable as the clock industry may be cyclical and the Company is required to comply with the relevant requirements of the Listing Rules should the Revised Caps be exceeded.

On the above basis, we are of the view that the bases on which the Revised Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole and the Revised Caps are fair and reasonable.

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- *Second Supply Agreement*

Pursuant to the Second Supply Agreement, AI will sell to AMCL clocks, timepieces, gift and premium products on a non-exclusive basis. The prices for the clocks, timepieces, gift and premium products will depend on the type and nature of such products to be supplied and based on the ex-factory purchase price with reference to the existing prices of similar products in the market.

As stated in the 2007 Announcement and the 2007 Circular, the Approved Caps, which are significantly lower than the actual figures for the previous years, were determined with reference to the then and the anticipated difficult operating environment in the industries.

The Board has taken into account the following factors to determine the Revised Caps:

- the Group achieved an approximately 45% decrease in the segment loss of the clocks and other office related products business during the six months period ended 30 September 2007 while the segment turnover was just slightly decreased by approximately 2%, when compared with the results of the same period last year;
- the decrease in turnover of this business segment was not as substantial as previously expected, and the sales to AMCL under the Second Supply Agreement reached approximately HK\$28.5 million during the six months period ended 30 September 2007; and
- the internal estimates of the demand and the operating conditions of the Continuing Connected Transactions.

As advised by the Company, AMCL mainly sources its products from AI in the past as these products have been tailor-made for AMCL and AI has been a wholly owned subsidiary of the Company before the disposal of AI by the Company in January 2007. On the contrary, AI has never sold its products to independent customers. In this regard, we were advised by the Company that there were limited comparable transactions for the above products available for our comparison. Although AI has not sold its products (including completed clocks and accessories) to independent customers directly, we were advised by the Company that the Group has been on-selling those products purchased from AI to independent customers, which represented and will represent the majority of the purchase from AI. Upon reviewing the relevant invoices in relation to the sales of products by the Group to independent customers in

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respect of products purchased from AI, we note that the Group has been charging its customers at a margin above its cost. Besides, upon reviewing certain quotations from independent suppliers obtained by the Company, we note that the Group can obtain similar products to those purchased from AI from independent suppliers at comparable price ranges. As advised by the Company, in view that the inflation rate in the PRC remains relatively high during the last few quarters, the Directors believe that the pricing of the relevant products and services may follow the general trend of inflation in the PRC during the near future. In addition, based on internal estimates of the demand and the operating conditions of the Continuing Connected Transactions, the Directors believe that the demand and the operating conditions of the Company in relation to the Continuing Connected Transactions would remain stable. Accordingly, with the fairly constant price level and fairly stable production volume (implied from demand of the Company) and taking into account the fact that the actual amount of the transactions occurred between the parties under the Second Supply Agreement in respect of Continuing Connected Transactions set out in the above table for the eight months ended 30 November 2007 would soon exceed the Approved Caps for the financial year ended 31 March 2008, it is understandable that the purchase of products from AI is expected to be dropping less rapidly during the two years ending 31 March 2009 than the Approved Caps and the actual transacted amount for the year ended 31 March 2006. On the other hand, pursuant to the certain relevant invoices in relation to the purchase of products, we note that the credit terms granted by AI to AMCL would be 30 days which is in line with the credit terms extended to AMCL by other suppliers. Moreover, as advised by the Company, the Group has adopted internal procedures to regulate the Continuing Connected Transactions. In general, if the value of products to be placed with AI exceeds US\$100,000 or the products to be placed are new products, AMCL is required to obtain quotations from independent suppliers for comparison. The Company will select the supplier which offers the most favourable terms with comparable quality products for that particular transaction. Upon reviewing the relevant quotations from AI and independent suppliers, we note that the Group has selected independent suppliers to provide certain products on several occasions due to the fact that such independent suppliers could offer better terms. On the above basis, we consider that the supplies by AI were and are in a position to be carried out on normal commercial terms.

Further, we note that the Group has taken a prudent approach to assume that there will be no growth in the monetary amount of the transactions between AMCL and AI under the Second Supply Agreement for the two years ending 31 March 2009 and we consider that this approach is reasonable as the clock industry maybe cyclical and the Company will comply with the relevant requirements of the Listing Rules should the Revised Caps be exceeded.

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On the above basis, we are of the view that the bases on which the Revised Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole and the Revised Caps are fair and reasonable.

In summary, given that the relevant terms of individual agreement will be determined upon execution with reference to the then prevailing market conditions and the above pricing principles, we consider that the Continuing Connected Transactions are to be carried out on normal commercial terms and in the ordinary course of business and the bases on which the Revised Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

3. *The conditions*

As the Revised Caps will exceed HK\$10 million and the relevant applicable ratios under the Listing Rules exceed 2.5%, the Revised Caps for the Continuing Connected Transactions are subject to reporting, announcement, and the Independent Shareholders' approval requirements under the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the Revised Caps for the two financial year ending 31 March 2009 subject to the following conditions:

1. The Continuing Connected Transactions will be:
 - (i) entered into by the Company in the ordinary and usual course of its business;
 - (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and
 - (iii) entered into in accordance with the terms of the relevant framework agreements governing such Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders as a whole;

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2. The transacted amount of the transactions under the Supply Agreements for the two years ending 31 March 2009 shall not exceed the Revised Caps as stated above; and
3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account of the conditions attached to the Continuing Connected Transactions, in particular (i) the restriction by way of setting the Revised Caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Continuing Connected Transactions), we consider that the Company has taken appropriate measures to govern the Company in carrying out the Continuing Connected Transactions, thereby safeguarding the interests of the Shareholders thereunder.

Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the Revision of Approved Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and the Revised Caps are fair and reasonable. We consider that the Continuing Connected Transactions are to be carried out on normal commercial terms and in the ordinary course of business of the Company. Accordingly, we recommend the Independent Shareholders to, and we recommend the Independent Board Committee to advise the Independent Shareholders to, vote in favour of the ordinary resolutions to be proposed at the SGM for approving the Revised Caps.

Yours faithfully,

For and on behalf of

Partners Capital International Limited

Alan Fung

Harry Yu

Managing Director

Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules 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 in this circular misleading.

2. 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:

- The 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.
- The 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):

Name of shareholder	Note	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company
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:

1. 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.
2. These 1,400,000,000 Shares are owned by Ascent Goal Investments Limited, directly as beneficial owner pursuant to a subscription agreement dated 15 January 2008, completion of which is subject to the fulfilment of certain conditions. 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.
3. 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.
4. 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.
5. 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.

3. 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.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates has 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. OTHER INTERESTS OF THE DIRECTORS

None of the Directors had any interests, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up); and

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

Partners Capital is a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revision of Approved Caps. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation herein.

Partners Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Partners Capital does not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Partners Capital does not have any interest, direct or indirect, in any assets which since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS 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 First Supply Agreement;
- (b) the Second Supply Agreement;
- (c) the letter of advice from Partners Capital, the text of which is set out on pages 12 to 22 of this circular; and
- (d) written consent of the expert referred to in the paragraph headed “Expert and Consent”.

10. MISCELLANEOUS

The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

NOTICE OF SGM



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 13 March 2008 at 12:00 p.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**

- (A) the revision of the annual cap in respect of the supply agreement dated 29 January 2007 entered into between Artfield Manufacturing Company Limited (“AMCL”), Royal Success Enterprises Limited and Ultra Good Electroplating Limited and transactions contemplated thereunder (the “**First Supply Agreement**”) to HK\$15.0 million for each of the financial years ending 31 March 2008 and 2009 be and is hereby approved, confirmed and ratified; and
- (B) any one of the directors of the Company (the “**Directors**”) be and is hereby authorised on behalf of the Company 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 revision of annual caps of the First Supply Agreement in (A) above”

2. **“THAT**

- (A) the revision of the annual cap in respect of the supply agreement dated 29 January 2007 entered into between Artfield Industries (Shenzhen) Ltd. and AMCL and transactions contemplated thereunder (the “**Second Supply Agreement**”) to HK\$47.0 million for each of the financial years ending 31 March 2008 and 2009 be and is hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (B) any one of the Directors be and is hereby authorised on behalf of the Company 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 revision of annual caps of the Second Supply Agreement in (A) above”

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

Hong Kong, 26 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

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 hand of the appointer 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.

NOTICE OF SGM

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

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.