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## **China Sonangol Resources Enterprise Limited**

**安中資源實業有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1229)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

The board of directors (the "Board") of China Sonangol Resources Enterprise Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009 together with the comparative figures for the corresponding period in 2008 as follows:

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2009</b>	2008
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>CONTINUING OPERATIONS</b>			
Turnover		<b>35,900</b>	11,346
Cost of sales and services provided		<b>(19,528)</b>	(11,595)
Gross profit/(loss)		<b>16,372</b>	(249)
Other income		<b>1,969</b>	2,000
Selling and distribution expenses		<b>(1,220)</b>	(1,598)
General and administrative expenses		<b>(3,850)</b>	(14,757)
Finance costs	4	<b>(9,043)</b>	–
Profit/(loss) before taxation	5	<b>4,228</b>	(14,604)
Income tax expense	6	<b>(632)</b>	(51)
Profit/(loss) for the period from continuing operations		<b>3,596</b>	(14,655)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation	7	–	(5)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>3,596</b>	(14,660)
Attributable to:			
Equity holders of the Company		<b>(2,457)</b>	(14,660)
Minority interests		<b>6,053</b>	–
		<b>3,596</b>	(14,660)
<b>PROFIT/(LOSS) PER SHARE</b>			
	8		
From continuing and discontinued operations			
Basic (HK cent)		<b>0.47</b>	(1.92)
Diluted (HK cent)		<b>N/A</b>	N/A
From continuing operations			
Basic (HK cent)		<b>0.47</b>	(1.92)
Diluted (HK cent)		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2009

	<i>Notes</i>	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	19,847	157
Intangible assets		<u>188,068</u>	<u>–</u>
		<u>207,915</u>	<u>157</u>
<b>Current assets</b>			
Inventories		95,873	1,644
Deposits for acquisition of subsidiaries		–	2,000
Trade and other receivables	10	23,687	3,179
Bank balances and cash		<u>295,162</u>	<u>378,997</u>
		<u>414,722</u>	<u>385,820</u>
<b>Current liabilities</b>			
Trade and other payables	11	93,761	7,414
Amount due to a related company		3,984	3,224
Tax payable		<u>945</u>	<u>–</u>
		<u>98,690</u>	<u>10,638</u>
<b>Net current assets</b>		<u>316,032</u>	<u>375,182</u>
<b>Total Assets less Current Liabilities</b>		<b>523,947</b>	375,339
<b>Non-current Liabilities</b>			
Convertible loan notes		170,915	161,871
Deferred tax liabilities		<u>44,371</u>	<u>–</u>
		<u>215,286</u>	<u>161,871</u>
<b>Net Assets</b>		<u>308,661</u>	<u>213,468</u>
<b>Capital and reserves</b>			
Share capital		76,537	76,537
Reserves		<u>129,828</u>	<u>136,931</u>
<b>Equity attributable to equity holders of the Company</b>		<b>206,365</b>	213,468
Minority Interest		<u>102,296</u>	<u>–</u>
Total equity		<u>308,661</u>	<u>213,468</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2009

## 1. Basis of Preparation and Accounting Policies

The unaudited interim financial information of the Group for the six months ended 30 September 2009, and explanatory notes, has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

The accounting policies used in the preparation of this unaudited interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include HKASs and Interpretations) issued by the HKICPA for the first time for the current period's unaudited interim financial information:

HKFRS 2 Amendments – Amendments to HKFRS 2 *share-based Payment – Vesting Conditions and Cancellations*

HKFRS 7 Amendments – Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures and Financial Instruments*

HKFRS 8 – *Operating Segments*

HKAS 23 (Revised) – *Borrowing Costs*

HKAS 32 and HKAS 1 – Amendments to HKAS 32 *Financial Instruments: Presentation and Amendments HKAS 1 Presentation and of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

HK (IRFIC)-Int 13 – *Customer Loyalty Programmes*

HK (IRFIC)-Int 15 – *Agreements for the Construction of Real Estate*

HK (IRFIC)-Int 16 – *Hedges of a Net Investment in a Foreign Operation*

## **1. Basis of Preparation and Accounting Policies** *(Continued)*

Apart from the above, the HKICPA also issued *Improvements to HKFRS* in October 2008 which set out amendments to HKFRS 5, HKFRS 7, HKSA 1, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (1) HKFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.
- (2) HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Saved as disclosed above, the adoption of these new and revised HKFRSs has had no significant effect on this unaudited financial information.

## **2. Approval of the Interim Financial Statements**

These condensed consolidated financial statements for the six months ended 30 September 2009 are unaudited but have been reviewed by the audit committee of the Company and approved for issue by the Board on 25 November 2009.

### **3. Segment Information**

The Group's operating businesses are structured and managed separately according to the nature of their operations, and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Descriptions of the business segments are as follows:

- (a) China Sonangol International Limited shall pay the Group a service fee of HK\$500,000 per month in cash. The total services fee payable for the period of 18 months is HK\$9,000,000;
- (b) the clocks and other office related products segment engages in the manufacturing and marketing of clocks and other office related accessories; and
- (c) the coal mine segment engages in mining, sale and distribution of coal.

The following tables present revenue and results of the Group's business segments for the six months ended 30 September 2009 and 2008.

**3. Segment Information** *(Continued)*  
**Six months ended 30 September 2009 (Unaudited)**

	Provision for management service HK\$'000	Clocks and other office related products HK\$'000	Coal mines business HK\$'000	Total HK\$'000
Segment turnover:				
Management service fees	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Sales to external customers	<u>-</u>	<u>368</u>	<u>32,532</u>	<u>32,900</u>
Segment results	<u>(1,122)</u>	<u>(831)</u>	<u>12,986</u>	11,033
Interest income				75
Unallocated operating income and expenses				2,163
Finance costs				<u>(9,043)</u>
Profit before taxation				4,228
Income tax expense				<u>(632)</u>
Profit for the period				<u>3,596</u>

**3. Segment Information** *(Continued)*  
**Six months ended 30 September 2008 (Unaudited)**

	Continuing operations			Discontinued operations		
	Provision for management service HK\$'000	Clocks and other office related products HK\$'000	Total HK\$'000	Lighting products HK\$'000	Trading HK\$'000	Consolidated HK\$'000
Segment turnover:						
Management service fees	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Sales to external customers	<u>-</u>	<u>10,346</u>	<u>10,346</u>	<u>-</u>	<u>-</u>	<u>10,346</u>
Segment results	<u>760</u>	<u>(7,258)</u>	<u>(6,498)</u>	<u>(4)</u>	<u>(1)</u>	<u>(6,503)</u>
Interest income						999
Unallocated operating income and expenses						(9,105)
Finance costs						-
Gain on disposal of subsidiaries						<u>-</u>
Loss before taxation						(14,609)
Income tax expense						<u>(51)</u>
Loss for the period						<u>(14,660)</u>



#### 4. Finance Costs

	<b>Six months ended 30 September</b>	
	<b>Continuing operations</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Effective interest expenses on convertible loan notes	<u>9,043</u>	—
	<u>9,043</u>	—

#### 5. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is arrived at after (crediting)/charging:

	<b>Six months ended 30 September</b>					
	<b>Continuing operations</b>		<b>Discontinued operation</b>		<b>Total</b>	
	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Interest income	<b>(75)</b>	(999)	—	—	<b>(75)</b>	(999)
Depreciation	<b>46</b>	453	—	—	<b>46</b>	453
	<u><b>(29)</b></u>	<u>(546)</u>	<u>—</u>	<u>—</u>	<u><b>(29)</b></u>	<u>(546)</u>

## 6. Income Tax Expense

	<b>Six months ended 30 September</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Current tax – other jurisdictions	<u>632</u>	<u>51</u>
	<b>632</b>	<b>51</b>
Tax expense for continuing operations	<u>632</u>	<u>51</u>
	<b>632</b>	<b>51</b>

Hong Kong profit tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. Loss for the Period from Discontinued Operation

	<b>Six months ended 30 September</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Turnover	–	–
Cost of sales and services provided	–	–
Other income	–	–
Selling and distribution expenses	–	–
General and administrative expenses	<u>–</u>	<u>(5)</u>
	–	(5)
Income tax expenses	<u>–</u>	<u>–</u>
	–	–
Loss for the period	<u>–</u>	<u>(5)</u>

## 8. Profit/(Loss) Per Share

The calculation of the basic profit/(loss) per share attributable to equity holders of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
Profit/(Loss) for the purposes of calculating basic loss per share from continuing operations	<b><u>HK\$3,596,000</u></b>	<u>(HK\$14,660,000)</u>
Profit/(Loss) for the period attributable to equity holders of the Company	<b><u>HK\$3,596,000</u></b>	<u>(HK\$14,660,000)</u>
Weighted average number of ordinary shares in issue during the period	<b><u>765,373,584</u></b>	<u>765,373,584</u>
Basic profit/(loss) per share		
– from continuing operations	<b>HK0.47 cent</b>	(HK1.92cents)
– from discontinued operations	<u>–</u>	<u>–</u>
	<b><u>HK0.47 cent</u></b>	<u>(HK1.92cents)</u>

Diluted loss per share for the six months ended 30 September 2009 has not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

## 9. Property, Plant and Equipment

During the period, there were addition of HK\$19,949,000 (2008: HK\$66,088) to plant and equipment mainly attributed to the acquisition of coal mine business.

## 10. Trade and Other Receivables

The Group's sales are on open account terms. Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 180 days.

The ageing analysis of the Group's trade and other receivables, net of provision for bad and doubtful debts, is as follows:

	<b>As at 30 September 2009 (Unaudited) HK\$'000</b>	As at 31 March 2009 (Audited) HK\$'000
Within 90 days	<b>13,956</b>	565
Between 91 days to 365 days	<b>4,049</b>	26
Over 1 year	<b>–</b>	163
	<hr/>	<hr/>
Trade receivables	<b>18,005</b>	754
Prepayments, deposits and other receivables	<b>5,682</b>	2,425
	<hr/>	<hr/>
	<b>23,687</b>	3,179
	<hr/>	<hr/>

The carrying amounts of trade and other receivables approximate to their fair values.

## 11. Trade and Other Payables

The ageing analysis of the Group's trade payables is as follows:

	<b>As at 30 September 2009 (Unaudited) HK\$'000</b>	As at 31 March 2008 (Audited) HK\$'000
Within 90 days	<b>27,234</b>	1,212
Between 91 days to 365 days	<b>1,173</b>	488
Over 1 year	<b>146</b>	470
	<hr/>	<hr/>
Trade payables	<b>28,553</b>	2,170
Other payables and accruals	<b>36,708</b>	5,244
Amount due to a minority shareholder	<b>28,500</b>	–
	<hr/>	<hr/>
	<b>93,761</b>	7,414
	<hr/>	<hr/>

The carrying amounts of trade payables approximate to their fair values.

## 12. Comparative Figures

Certain comparative figures have been adjusted to conform with current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group recorded a turnover of HK\$35,900,000 during the six months ended 30 September 2009, increased by HK\$24,554,000 when compared with the same period last year. The Group recorded a profit of HK\$3,596,000 during the period in concern and was successfully turn around the loss making performance of previous year.

The performance of each of the Group's businesses for the six months ended 30 September 2009 are set out below:

### **(a) Oil Trading Services Business**

The Group continues to provide, among others, certain marketing analysis, news clipping, preparation of sales report, invoicing and preparation of management accounts services on oil-related business to its holding company. This segment achieved a turnover of HK\$3,000,000 during the six months ended 30 September 2009 (2008: HK\$1,000,000).

### **(b) Clock and Other Office Related Products Business**

This segment achieved a turnover of HK\$368,000 during the six months ended 30 September 2009, decreased by HK\$9,978,000 or approximately 96% when compared with the same period last year. This segment reported a loss of HK\$831,000 during the period under review (2008: HK\$7,258,000).

### **(c) Xinjiang Coal Mine Business**

This segment contributed a new revenue stream to the Group. During the less than three months post-acquisition operation history ended 30 September 2009, this segment recorded revenue of approximately HK\$32,532,000 which was derived from the continuing operations of sale and distribution of coal. This segment generated an operating profit of approximately HK\$12,986,000.

## **PROSPECTS**

The Board believes the global recession resulting from the credit crunch has gradually subdued and we are cautiously optimistic on the performance of our current business mix. Given our financial resources, we are still actively seeking investment opportunities in order to broaden the business of the Group. The Board is confident our investments can add value for our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2009, the Group had working capital of approximately HK\$316,000,000 (31 March 2009: HK\$375,000,000), and its current ratio, being the proportion of total current assets against total current liabilities, was 4 times (31 March 2009: 36 times). The Group continued to maintain a strong financial position. At 30 September 2009, the Group had cash and bank balances of approximately HK\$295,000,000 (31 March 2009: approximately HK\$379,000,000).

As at 30 September 2009, there was no bank and other borrowing in the Group (31 March 2009: HK\$Nil).

The gearing ratio of the Group was 82.8% (31 March 2009: 75.8%), calculated on the basis of the Group's total borrowings over equity attributable to equity holders of the Company.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES (AND RELATED HEDGES)**

The Group mainly earns revenue and incurs cost in Euro, US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal as long as the Government of the Hong Kong Special Administrative Region's policy to peg the Hong Kong dollars with the US dollars remains unchanged. The fluctuation of Euro will be minimal as the Group already scaled down the operation of Germany subsidiary.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

In order to explore the new source of income, Lasting Power Investments Limited (“Lasting Power”), a wholly owned subsidiary of the Company, entered into an agreement with an independent third party, Star Fortune International Development Company Limited on 30 April 2009, pursuant to which Lasting Power agreed to acquire 51% equity interest in Star Fortune International Investment Company Limited (“SFII”) at a consideration of HK\$100,000,000. SFII is an investment holding company with its subsidiaries engaged in mining, sale and distribution of coals in the PRC. The coal mines consist of Kaiyuan Open Pit Coal Mine and Zexu Open Pit Coal Mine, both are situated at Bei Ta Mountain, Qi Tai County, Xinjiang Uygur Autonomous Region, and the PRC.

## **CHARGES ON ASSETS**

As at 30 September 2009, no trade receivable was pledged to secure the borrowing, and no assets or fund of the Group was pledged to secure general banking facilities granted to the Group (2008: HK\$1,763,000).

## **CAPTIAL STRUCTURE**

There was no change in the capital structure of the Company during the six months ended 30 September 2009.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

The Group did not have any significant contingent liabilities and capital commitments as at 30 September 2009.



## **HUMAN RESOURCES**

The Group had approximately 122 employees as at 30 September 2009 (31 March 2009: 62).

Apart from the basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. In addition, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

## **CHANGE OF COMPANY NAME**

At the annual general meeting of the Company held on 20 July 2009, the shareholders of the Company passed a special resolution in respect of the change of English name of the Company from "Artfield Group Limited" to "China Sonangol Resources Enterprise Limited" and the adoption of "安中資源實業有限公司" as Chinese secondary name of the Company. The Certificate of Incorporation on Change of Name and the Certificate of Secondary Name have been issued by the Registrar of Companies in Bermuda and the name changes took effect on 21 July 2009.

The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was also issued by the Registrar of Companies in Hong Kong on 10 August 2009 confirming the registration of the new name of the Company "China Sonangol Resources Enterprise Limited also known as 安中資源實業有限公司" in Hong Kong under Part XI of the Companies Ordinance (Chapter 32, Laws of Hong Kong).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2009.

## **CORPORATE GOVERNANCE**

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 September 2009, except for the code provision A.2.1 and E.1.2 which are summarised below:

### **Code Provision A.2.1**

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company did not have any officer with CEO title. Ms. Lo Fong Hung is currently the Chairperson and Managing Director of the Company. The duties of CEO were carried out by Ms. Lo Fong Hung. In view of the size of operation of the Company, the Board considered that this structure is more suitable for the Company as it can promote the efficient formulation and implementation of the Company's strategies.

### **Code Provision E.1.2**

Code provision E.1.2 of the Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other business commitment, Ms. Lo Fong Hung, the Chairperson of the Board, was unable to attend the annual general meeting of the Company held on 20 July 2009.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2009.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Committee") comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2009.

By order of the Board  
**Kwan Man Fai**  
*Executive Director*

Hong Kong, 25 November 2009

*As at the date of this announcement, the Board comprises three executive directors, namely Ms. Lo Fong Hung, Mr. Wang Xiangfei and Mr. Kwan Man Fai; and three independent non-executive directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey.*