ARTFIELD GROUP LIMITED

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

The board of directors (the "Board") of Artfield Group 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 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) Six months ended 30 September	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
TURNOVER	2	**129,364**	110,840
Cost of goods sold and services provided		**(97,266)**	(79,282)
Gross profit		**32,098**	31,558
Other income		**1,813**	770
Selling and distribution costs		**(6,193)**	(5,125)
Administrative expenses		**(22,458)**	(24,407)
Other operating expenses		**(1,547)**	(529)
PROFIT FROM OPERATIONS	3	**3,713**	2,267
Finance costs	4	**(1,708)**	(1,674)
Share of profit from associates		**2**	–
PROFIT BEFORE TAXATION		**2,007**	593
Taxation	5	**(193)**	(31)
PROFIT BEFORE MINORITY INTERESTS		**1,814**	562
Minority interests		**(266)**	(270)
NET PROFIT FOR THE PERIOD		**1,548**	292
EARNINGS PER SHARE	6		
Basic		**HK0.60 cent**	HK0.12 cent
Diluted		**HK0.58 cent**	HK0.12 cent

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants, 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 accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2004.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and income from the provision of electroplating services.

An analysis of the Group's turnover and contribution to results by business and geographical segments are as follows:

(a) Business segments

	Clock and other office related products		Lighting products		Trading		Electroplating services		(Unaudited) Consolidated	
	Six months ended 30 September									
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**84,445**	72,449	**10,682**	6,535	**26,577**	25,261	**7,660**	6,595	**129,364**	110,840
Segment results	**5,036**	4,035	**673**	432	**183**	306	**1,493**	1,800	**7,385**	6,573
Interest income									**67**	11
Net unallocated expenses									**(3,739)**	(4,317)
Profit from operations									**3,713**	2,267
Finance costs									**(1,708)**	(1,674)
Share of profit from associates									**2**	–
Profit before taxation									**2,007**	593
Taxation									**(193)**	(31)
Profit before minority interests									**1,814**	562
Minority interests									**(266)**	(270)
Net profit for the period									**1,548**	292

(b) Geographical segments

	North America		Europe		Hong Kong		People's Republic of China		Others		(Unaudited) Consolidated	
	Six months ended 30 September											
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**37,276**	39,637	**47,908**	32,302	**5,599**	7,441	**36,694**	28,735	**1,887**	2,725	**129,364**	110,840

3. PROFIT FROM OPERATIONS

The Group's profit from operations has been arrived at after charging / (crediting):

	(Unaudited) Six months ended 30 September	
	2004	2003
	HK$'000	*HK$'000*
Cost of inventories sold	**89,980**	74,744
Cost of services provided	**7,286**	4,538
Staff costs	**15,615**	22,466
Depreciation	**5,256**	4,728
Amortisation of goodwill	**486**	498
Amortisation of intangible assets	**23**	23
Net rental income	**(360)**	(451)
Interest income	**(67)**	(11)

4. FINANCE COSTS

	(Unaudited) Six months ended 30 September 2004 HK$'000	2003 HK$'000
Interest on:		
Bank loans and overdrafts	**1,667**	1,500
Other loans wholly repayable within five years	**20**	135
Finance leases	**21**	39
	1,708	1,674

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

	(Unaudited) Six months ended 30 September 2004 HK$'000	2003 HK$'000
Hong Kong Profits Tax	**80**	(12)
Tax in other jurisdictions	**113**	43
	193	31

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK$1,548,000 (2003: HK$292,000) and the weighted average number of 260,088,870 (2003: 240,699,872) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 September 2004 is based on the net profit for the period of HK$1,548,000 (2003: HK$292,000). The weighted average number of ordinary shares used in the calculation was 260,088,870 (2003: 240,699,872) ordinary shares in issue, as used in the basic earnings per share calculation, and the weighted average number of 4,575,027 (2003: 4,244,404) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

CAPITAL COMMITMENTS

At 30 September 2004, the Group has capital expenditure of about HK$915,000 in respect of the acquisition of plant and equipment authorised but not contracted for.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a turnover of approximately HK$129,364,000 for the six months ended 30 September 2004. It represents an increase of 16.7% or HK$18,524,000 as compared with the same period last year of HK$110,840,000. Gross profit margin narrowed from 28.5% achieved in the first six months last year to 24.8% in the current period as a result of severe competition in the industry. However, the Group has successfully curtailed the administrative expenses. With the increased turnover, the Group has achieved a net profit for the period in the amount of approximately HK$1,548,000 in the period under review. The result represents an increase by more than four times or HK$1,256,000 over the same period last year.

Clock and Other Office Related Products

The Division's operations comprise the manufacturing of clocks, gifts and premium products, and other office related products on both OEM and ODM basis for customers. The Group is considered as one of the leading players in clock industry by virtue of its more than 20 years of experience in the clock manufacturing and owning the famous German brand name "Wehrle" and own brand name, "KLIK" and "Artex". The Division enjoys competitive cost advantage and efficiency from the Group's vertically integrated manufacturing operations particularly the Electroplating Services Division and the newly established wood work factory in Gaoming, Foshan City, the PRC.

During the period under review, the Division has repositioned its marketing strategy to expand its sales force into the retail market, the effort proved to be rewarding. For the six months ended 30 September 2004, the Division achieved a turnover of HK$84.5 million as compared with HK$72.4 million for the same period last year. This represents an increase of HK$12.1 million. In particular, OEM sales increased by approximately HK$1.5 million; Brand products sales increased by HK$7.3 million and the other office related products sales also grew by HK$3.3 million.

During the period under review, the recovery of the world economy has been slow following the aftermath of the Iraq war. The clock industry remained severely competitive and it was further aggravated by the rise in materials cost as a result of the PRC's tightening of macro-economic policy. The profit margin of the Division was inevitably affected. Nevertheless, with the increase in turnover, the Division was able to report a segment trading profit of HK$5,036,000 in the first half of this year, the result represents an increase of HK$1,001,000 as compared with the same period last year.

Lighting Products

The Lighting Products Division reported a turnover of HK$10.7 million for the first six months of this financial year. It represents an increase of HK$4.2 million, as compared with HK$6.5 million for the same period last year.

The profit margin of the products was under pressure as a result of rising materials cost, yet the Division still recorded an improved segment trading profit of HK$673,000 as compared with the corresponding period last year, of HK$432,000.

The construction of the new factory in Gaoming, Foshan City, the PRC has now been completed and started trial runs. It is expected that the factory will become fully operational after the coming Chinese New Year and the production capacity of the Division will double the existing capacity, deploying with more high-tech equipment and advanced technology. The Management believes that the new factory will boost the turnover of the Division and will achieve the benefits of economic of scale with the effect of reducing cost and improving efficiency.

Trading

The Division mainly engages in trading of metal in the PRC market. During the period under review, the business was inevitably affected by the PRC government's tightening of macro-economic policy. The Division reported a turnover of HK$26.6 million with a segment trading profit of HK$183,000 as compared with HK$25.3 million and HK$306,000 respectively in the same period last year.

Whereas the Management looks upon the business as an important source of marketing intelligence to the Group's other business, especially in the PRC market, the Management does not expect the Division to make substantial contribution to the Group's bottom-line in the second half of the year.

Electroplating Services

The Electroplating Services Division recorded a turnover of HK$7.7 million in the first six months period of this financial year as compared with HK$6.6 million in the same period last year, an increase of HK$1.1 million. It reported a segment trading profit of HK$1,493,000 in the period under review as compared with HK$1,800,000 in the same period last year.

Electroplating Services Division forms an integral part of the Group's vertically integrated manufacturing operation and it provides high quality electroplating services to other customers. The Division's factory has long been established in its present location. It has been accredited with ISO certification in 2001 and accomplished the local government's requirements with respect to environmental protection. It also established long term relationship with suppliers for the supplying of restricted material such as potassium gold cyanide「氰化亞金鉀」which is an important ingredient for the use in the electroplating process.

It is expected that the PRC government will further tighten up environmental protection measures with the effect of imposing further restrictions in operating electroplating services in the area. The Division will strengthen its competitive advantages in terms of its long establishment and good relationship with local government, ISO approved standard and high quality service, as well as the secured access to restricted materials.

Pharmaceutical Business

The Group acquired 49% share capital of Success Start Holdings Limited ("Success Start") on 15 March 2004. Success Start engages in the research and development, production and sales of medical products through Anxi Medicine-Make Co., Limited Fujian ("Anxi Medicine") 福建省安溪制藥有限公司 and bio-technological medical products through Beijing Xipu Biotechnology Limited ("Beijing Xipu") 北京璽圃環球生物醫藥技術有限公司. The Management remains confident that pharmaceutical industry will be the next high-growth industry in the PRC in the foreseeable future with attractive returns. The Management will treat the investment as a valuable asset and a potential contributor to the Group's business in the future.

During the period under review, Success Start has attained a break-even position from a loss position before. Anxi Medicine has submitted two medical products, Cefmetazole raw material medicine「頭孢米諾原料葯」and Sterilized Power of Injection「無菌粉針」for the approval of the State Food and Drug Administration (SFDA). It is expected that approval for the production of the products as well as the accreditation of the GMP standard will be completed before the first half of next year, which will boost the turnover and profitability of Anxi Medicine.

Beijing Xipu has successfully launched the new product, "Xi Pu Gluco Guard Yi Dao Ying Yan Su"「璽圃牌利唐康膠囊胰島營養素」in the period under review and was well received by diabetic patients. The product has now been launched into major cities and provinces in the PRC such as Guangdong, Liaoning, Jilin, Shandong Province and Beijing city with special sales and promotion programs. It is expected that the sales of Beijing Xipu next year will be substantially increased from the sales of the new product.

PROSPECT

The Group has achieved both increase in turnover and profit in the first half of this financial year, as a result of its effort on market repositioning, products development, quality assurance and cost control.

The Management recognizes its marketing strength and competitive advantages in the industry by virtue of its long establishment in the industry, highly vertical integrated manufacturing capability, expertise in research, development and design, owning famous brand names and extended overseas sales network and offices. The Group will continue to pursue these competitive advantages with a view to enhancing its customers base and penetrating new market frontier.

The Management also recognizes the immense opportunity and vast potential brought about by the PRC's accession to the WTO and the Closer Economic Partnership Arrangement between Hong Kong and the PRC. The Group has in the past established sales outlets in major cities in the PRC. With the years of experience in the PRC market and wide sales network, the Management considers that it is the right moment to take the PRC sales to the next phase of expansion.

On the international front, the Management has planned to restructure the overseas sales offices conducive to penetrating into new countries and new market segments.

In response to the requirements of new customers and marketing strategy, the Group has enhanced its capability on research, development and design of new products by entering into partnership with renowned overseas design houses and enhancing the in-house research, development and design capability.

In a bid to strengthen quality control and gain quality recognition, the Group sought ISO 9001 Quality Management System Certification of the clock factory at Shenzhen, the PRC, at the beginning of this year. It is expected that the accreditation of the ISO 9001 certification will be completed by the end of this financial year and this would be an open recognition of the Group's quality standard.

In the first half of this year, the Management has successfully curtailed operation costs. The effort will be continued and will be vigorously enforced in the second half of the year. The Management will continue to improve internal operational procedures and internal control, especially in the area of purchasing function and inventory control, with a view to achieving effectiveness, efficiency and economy in its operations.

The Management endeavours to lay a firm foundation for the business pragmatically, with determination and dynamism. The Management believes that the Group is in the right direction and is confident in the future prospect of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2004, the Group had total outstanding debts and finance lease obligations of HK$57,009,000 (31 March 2004: HK$63,231,000), of which HK$46,230,000 (31 March 2004: HK$54,612,000) was secured bank loans, HK$9,387,000 (31 March 2004: HK$6,374,000) was secured overdrafts, HK$430,000 (31 March 2004: HK$732,000) was unsecured other loans and HK$962,000 (31 March 2004: HK$1,513,000) was obligations under finance leases. The amount repayable within one year accounted for 82.6% (31 March 2004: 68.8%). The maturity profile of the Group's total borrowings as at 30 September 2004 is analysed as follows:

	(Unaudited) As at 30 September 2004	(Unaudited) As at 30 September 2003
Within one year	**82.6%**	81.4%
In the second year	**2.1%**	3.5%
In the third to fifth years, inclusive	**3.9%**	4.9%
Beyond five years	**11.4%**	10.2%
Total	**100.0%**	100.0%

Our gearing ratio was at a healthy level of 4.9% (31 March 2004: 10.9%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 30 September 2004.

CHARGES ON GROUP'S ASSETS

As at 30 September 2004, the Group's investment properties with a value of HK$8,000,000 (31 March 2004: HK$8,000,000), other investment of HK$2,414,000 (31 March 2004: HK$2,414,000) and certain of the Group's leasehold land and buildings, and plant and machinery were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2004, the Group did not have material contingent liabilities (31 March 2004: Nil).

MATERIAL ACQUISITION OF ASSOCIATE AND DISPOSAL OF SUBSIDIARIES

On 15 March 2004, the Company entered into the sale and purchase agreement with two independent third parties (the "Vendor") for the acquisition of 49% equity interest in Success Start, a limited company incorporated in the British Virgin Islands, pursuant to which the consideration shall be satisfied by the Company by way of the issue and allotment of 21,939,084 new shares of HK$0.10 each. Further details of the transaction were set out in the Company's announcement dated 16 March 2004.

On 8 September 2004, the Company entered into the sale and purchase agreement with Ms. Li Kwo Yuk ("Ms. Li"), a director of the Company, pursuant to which the Company agreed to sell the entire interests in German Time Limited and Smart Best Development Limited, which are indirect wholly-owned subsidiaries of the Company to Ms. Li for the consideration of HK$22,000,000. Further details of the transaction were set out in the circular dated 2 October 2004.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Renminbi ("RMB"), US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the Hong Kong SAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect. Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are in RMB, the Management is aware of possible exchange rate exposure. As a hedging strategy, the Management emphasizes on using RMB borrowings to finance the Group's PRC operation and capital expenditure.

TREASURY POLICIES

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

EMPLOYEES

As at 30 September 2004, the Group employed 2,248 (2003: 2,535) employees of which 51 were based in Hong Kong, 2,179 based in the PRC and 18 spread around the US, the UK and Germany.

The Group adopts an extensive training policy for its employees. It also sponsors senior executives for higher education programs.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months period ended 30 September 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee meets regularly with senior management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters including the review of this unaudited condensed consolidated interim financial statements. The members of the Committee are Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR, Joseph Wai Shing, all of them are independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that independent non-executive directors are not appointed for specific terms as recommended by the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules on 30 September 2004.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
LIANG Jin You
Chairman

Hong Kong, 20 December 2004

As at the date of this announcement, the Board of Directors of the Company comprised of Mr. LIANG Jin You, Ms. LI Kwo Yuk, Mr. LEUNG Kin Yau, Mr. OU Jian Sheng, Mr. DENG Ju Neng, Mr. LIN Dong Hong as executive directors, Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR, Joseph Wai Shing as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.