ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The board of directors (the "Board") of Artfield Group Limited (the "Company") would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**124,526**	129,364
Cost of goods sold and services provided		**(93,796)**	(97,266)
Gross profit		**30,730**	32,098
Other operating income		**1,785**	1,813
Selling and distribution costs		**(6,850)**	(6,193)
Administrative expenses		**(23,115)**	(22,458)
Other operating expenses		**(317)**	(1,547)
Finance costs	*6*	**(1,180)**	(1,708)
Share of results of associates		**—**	2
PROFIT BEFORE TAXATION	*7*	**1,053**	2,007
Taxation	*8*	**(54)**	(193)
NET PROFIT FOR THE PERIOD		**999**	1,814
Attributable to:			
Shareholders of the parent		**664**	1,548
Minority interests		**335**	266
		999	1,814
EARNINGS PER SHARE	*9*		
Basic *(HK cent)*		**0.25**	0.60
Diluted *(HK cent)*		**N/A**	0.58

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2005 (Unaudited) HK$'000	As at 31 March 2005 (Audited) (Restated) HK$'000
Non-current assets			
Property, plant and equipment	*10*	**61,243**	66,993
Investment properties		**4,880**	—
Lease prepayment on land use rights		**9,059**	9,005
Intangible assets		**25**	39
Goodwill		**17,004**	17,004
Interests in associates		**29,948**	18,526
Deferred tax assets		**135**	135
		122,294	111,702
Current assets			
Inventories		**99,567**	95,634
Trade and bills receivables	*11*	**54,554**	52,897
Prepayment, deposits and other receivables		**7,235**	7,409
Other investments		**—**	2,311
Financial assets at fair value through profit and loss		**2,311**	—
Bank balances and cash		**8,766**	7,632
		172,433	165,883
Current liabilities			
Trade payables	*12*	**33,366**	31,427
Other payables and accruals		**14,455**	12,479
Taxation		**191**	993
Interest-bearing bank and other borrowings		**30,489**	25,311
Obligations under finance leases		**407**	606
		78,908	70,816
Net current assets		**93,525**	95,067
Total assets less current liabilities		**215,819**	206,769
Non-current liabilities			
Interest-bearing bank and other borrowings		**801**	6,112
Obligations under finance leases		**223**	363
Deferred tax liabilities		**4,822**	4,822
		5,846	11,297
		209,973	195,472

	Notes	As at 30 September 2005 (Unaudited) HK$'000	As at 31 March 2005 (Audited) (Restated) HK$'000
Capital and reserves			
Share capital		**26,248**	26,248
Reserves		**176,426**	162,260
Equity attributable to shareholders of the parent		**202,674**	188,508
Minority interests		**7,299**	6,964
Total equity		**209,973**	195,472

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments and leasehold land and buildings, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

In the current period, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's indentifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised the negative goodwill at 1 April 2005 of HK$11,452,000, which was previously recorded in interests in associates with a corresponding increase to retained profits.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

At 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. For "available-for-sale financial assets" that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, it will be measured at cost less impairment, if any. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. Other investments classified under current assets with carrying amount of HK$2,311,000 at 31 March 2005 was reclassified to financial assets at fair value through profit or loss on 1 April 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Owner-occupied leasehold interest in land

In previous period, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease prepayments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the cost model to account for its investment properties, under which investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (if any). In previous period, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

3. Summary of the Effects of the Changes in Accounting Policies

The effects of changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**498**	—
Decrease in release of negative goodwill to income	**(301)**	—
Increase in profit for the period	**197**	—

The effects of changes in the accounting policies described above on the condensed consolidated balance sheet as at 31 March 2005 and 1 April 2005 are as follows:

	As at 31 March 2005 (Originally stated)	**Effect of HKAS 17**	**As at 31 March 2005 (Restated)**	**Effect of HKFRS 3**	**Effect of HKAS 32 & 39**	**As at 1 April 2005 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	81,945	(14,952)	66,993	—	—	66,993
Lease prepayments on land use right	—	9,005	9,005	—	—	9,005
Interests in associates	18,526	—	18,526	11,452	—	29,978
Other investments	2,311	—	2,311	—	(2,311)	—
Financial assets at fair value through profit and loss	—	—	—	—	2,311	2,311
Total effects on assets and liabilities	102,782	(5,947)	96,835	11,452	—	108,287
Property revaluation reserve	21,754	(8,732)	13,022	—	—	13,022
Retained profits	54,673	2,785	57,458	11,452	—	68,910
Effect on equity	76,427	(5,947)	70,480	11,452	—	81,932

4. Potential Impact Arising on the New Accounting Standards not yet Effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendment	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments Disclosures
HKFRS-INT 4	Determining whether an Arrangement contains a lease
HKFRS-INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-INT 6	Liabilities Arising from Participating in a Specific Market, Waste — Electrical and Electronic Equipment

5. Turnover and Segmental 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 result information by business segment for the six months ended 30 September 2005 is as follows:

Business segments

	Clocks and other office related products		Lighting products		Trading		Electroplating services		(Unaudited) Consolidated	
	Six months ended 30 September									
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**88,938**	84,445	**9,337**	10,682	**16,987**	26,577	**9,264**	7,660	**124,526**	129,364
Segment results	**4,436**	5,036	**(677)**	673	**227**	183	**1,868**	1,493	**5,854**	7,385
Interest income									**56**	67
Unallocated income less expenses									**(3,677)**	(3,739)
Finance costs									**(1,180)**	(1,708)
Share of results of associates									**—**	2
Profit before taxation									**1,053**	2,007
Taxation									**(54)**	(193)
Net profit for the period									**999**	1,814

6. Finance Costs

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**1,177**	1,667
Other borrowings wholly repayable within five years	**—**	20
Finance leases	**3**	21
	1,180	1,708

7. Profit Before Taxation

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

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**89,955**	89,980
Cost of services provided	**3,841**	7,286
Staff costs	**22,534**	15,615
Depreciation	**4,451**	5,148
Amortisation of lease prepayment on land use rights	**109**	108
Amortisation of intangible assets	**14**	23
Amortisation of goodwill	**—**	486
Net rental income	**(155)**	(360)
Interest income	**(56)**	(67)

8. Taxation

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**—**	80
Tax in other jurisdictions	**54**	113
	54	193

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

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

Pursuant to the laws and regulations in the PRC, certain Group's PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years.

9. Earnings Per Share

The calculation of basic earnings per share is based on the net profit for the period of HK$664,000 (2004: HK$1,548,000), and the weighted average number of 262,478,584 (2004: 260,088,870) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the current period and, accordingly, no diluted earning per share was presented.

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

10. Property, Plant and Equipment

During the period, the Group spent approximately HK$3,772,000 on acquisition of property, plant and equipment.

11. Trade and Bills Receivables

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 of the Group's trade and bills receivables, based on the date of goods delivered, is analysed as follows:

	As at 30 September 2005	As at 31 March 2005
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**30,260**	24,224
Between 91 days to 365 days	**20,454**	28,236
Over 1 year	**3,840**	437
	54,554	52,897

12. Trade Payables

The ageing of the Group's trade payables, based on the date of goods received, is analysed as follows:

	As at 30 September 2005	As at 31 March 2005
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**21,012**	20,620
Between 91 days to 365 days	**10,737**	8,371
Over 1 year	**1,617**	2,436
	33,366	31,427

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of approximately HK$124,526,000 for the six months ended 30 September 2005. It represents a small reduction of 3.7% or HK$4,838,000 as compared with the same period last year of HK$129,364,000 mainly due to decrease in sales turnover in metal trading and clock sales in the Germany market.

Despite a sharp increase in materials price during the period under review led to by the surging oil price and the increase in the value of the Renminbi which triggered a further escalation of production costs in terms of increased wages and indirect costs, the Group has nevertheless maintained a gross profit margin at a similar level as that of the previous corresponding period. The Group recorded a net profit of HK$999,000 for the six months period ended 30 September 2005, this result represents a reduction of HK$815,000 as compared with the corresponding period in last year.

Business Review

The performance of each of the Group's businesses for the six months ended 30 September 2005 are set out below:

Clock and Other Office Related Products Business

The clock and other related products division recorded a turnover of HK$88.9 million in the six months period ended 30 September 2005, it represents an increase of HK$4.5 million or 5.3% as compared with the same period last year.

The division's OEM business grew by over 20% during the period under review as compared with the same period last year, attributable to the strong demand of the USA market in the first six months of the financial year, however the performance was dampened by the lackluster performance of the European markets, particularly by Germany, whose sales turnover fell by HK$6.3 million as compared with the previous corresponding period.

Cost control remains a critical facet of the division's operations. Materials and production costs reduction target were set up with strict responsibility and accountability system imposed, the actual achievement of the targets were closely monitored on a monthly basis and this began to show results. Despite substantial rise in the materials price and inflation, the division maintains a similar level of profit margin to that of the corresponding period last year.

The division reported a segment trading profit of HK$4,436,000 for the six months period ended 30 September 2005. The segment trading result represents a reduction of HK$600,000 as compared with the same period last year.

Lighting Products Business

The lighting products division reported a turnover of HK$9.3 million in the six months period ended 30 September 2005. The result represents a decrease of HK$1.3 million or 12.6% as compared with the same period last year.

The division makes its sales predominantly to European markets, which have shown sign of slow down in their economy since the early part of this year. Orders were slower than expected, as customers were more cautious in their ordering of new stock and would take time to complete their de-stocking process. However it was noted that the orders position was much improved in the third quarter of this year and business was back to normal. It is expected that, taking the year as a whole, the division would catch up its sales turnover in par with the previous year.

The division's costs increased in comparison with the same period last year as a result of the increased amortization in investment cost in the Gaoming factory in Foshan and the transportation cost.

As a result of the lower sales turnover and increased operating costs, the division reported a segment loss of HK$677,000 for the six months period ended 30 September 2005 as compared with a segment profit of HK$673,000 in the corresponding period last year.

Trading Business

The trading business mainly engages in the trading of metal in the PRC market. During the period under review, the business was inevitably affected by the PRC government's continuing tightening of macro-economic policy. The division reported a turnover of HK$17.0 million with a segment trading profit of HK$227,000 for the six months ended 30 September 2005 as compared with HK$26.6 million and a trading profit of HK$183,000 respectively in the same period last year.

The Management looks upon the business as an important source of marketing intelligence to the Group's other business in the PRC market, the Management does not expect the division to make substantial contribution to the Group's bottom-line in the near future.

Electroplating Services Business

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 in full compliance with the local government's requirements with respect to environmental conservation. 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.

The Electroplating Services Division recorded a turnover of HK$9.3 million in the six months period ended 30 September 2005 as compared with HK$7.7 million in the same period last year. In the light of higher sales turnover, the division reported a segment trading profit of HK$1,868,000 in the period under review as compared with HK$1,493,000 in the same period last year.

The division leverages its strength on new technology to encounter the severe competition within the electroplating services industry in the PRC. The increased sales turnover was mainly a result of the division's collaboration with customers in research and development of innovated products.

Pharmaceutical Business

The Group acquired 49% in the 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 福建省安溪製藥有限公司 ("Anxi Medicine") and bio-technological medical products through Beijing Xipu Biotechnology Limited 北京璽圃環球生物醫藥技術有限公司 ("Beijing Xipu").

The central government took tight control on healthcare products at the beginning of this year in a bid to ripping out products that are not meeting with the standards stipulated by the State Food and Drug Administration (SFDA). Despite the fact that the " Xi Pu Gluco Guard Yi Dao Ying Yan Su" (璽圃牌利唐康膠囊胰島素營養素), which is manufactured by Beijing Xipu, meets all the required standards and has been affirmed as to the effectiveness of the use of the product, the sales of Beijing Xipu was inevitably affected by the central government's measure during the period under review.

Anxi Medicine has submitted two medical products, "Cefmetazole Raw Material Medicine" (頭孢米諾原料藥) and "Sterilized Power of Injection" (無菌粉針) for the approval of the SFDA. The approval for the production of the product will be granted in the near future and this would undoubtedly improve the sales performance of Success Start.

For the six months period ended 30 September 2005, Success Start recorded a sales turnover of HK$8.7 million. The amount represents a reduction of HK$4.2 million as compared with the corresponding period last year. Success Start incurred a loss for the six months period ended 30 September 2005, however the terms of acquisition of Success Start as set out in the sales and purchase agreement dated 15 March 2004 stipulates that in the case of any loss incurred by Success Start within 5 years following the date of the acquisition, the loss will be born by the vendors in proportion to their original shareholdings in Success Start.

PROSPECTS

For the six months period ended 30 September 2005, the Group has rationalized its activities and has achieved a reasonable results despite a tough operating environment.

In the second half of the year the Group shall continue to leverage on its core competences in vertical integration in manufacturing, quality control, design, research and development, sales and marketing and the leading position in the clock industry with a view to enhancing sales, while redoubling its efforts in cost control in order to improve cost effectiveness and price competitiveness.

The Group has planned to develop a new series of Liquid Crystal Display ("LCD") products with fashionable designs and materials targeting at the European markets and the mass markets in the U.S.A. This should bring the Group's sales turnover to a new level with wider market penetration.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group had total outstanding debts and finance lease obligations of HK$31,920,000 (31 March 2005: HK$32,392,000), of which HK$22,441,000 (31 March 2005: HK$24,575,000) was secured bank loans, HK$7,905,000 (31 MArch 2005: HK$6,589,000) was secured overdrafts, HK$944,000 (31 March 2005: HK$259,000) was unsecured other loans and HK$630,000 (31 March 2005: HK$969,000) was obligations under finance leases. The amount repayable within one year accounted for 96.9% (31 March 2005: 80.0%) of the total borrowings as at 30 September 2005. The maturity profile of the Group's total borrowings as at 30 September 2005 is analysed as follows:

	As at 30 September 2005 (Unaudited) ***HK$'000***	As at 31 March 2005 (Audited) *HK$'000*
Within one year	**96.9%**	80.0%
In the second year	**1.9%**	19.5%
In the third to fifth years, inclusive	**1.2%**	0.5%
Beyond five years	**—**	—
Total	**100.0%**	100.0%

Our gearing ratio was at a healthy level of 0.5% (31 March 2005: 3.3%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 30 September 2005.

The Group's sound financial position will provide us with good financial capacity to either expand our existing operation or to diversify into other strategic growth business.

CHARGES ON GROUP'S ASSETS

As at 30 September 2005, certain of the Group's leasehold land and buildings and plant and machinery, and financial assets at fair value through profit and loss of HK$2,311,000 (31 March 2005: HK$2,311,000), were pledged to secures general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the Government of the Hong Kong Special Administrative Region'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 denominated in Renminbi ("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 by reference to the Hong Kong Dollar Prime Rate or foreign currency's Trade Finance Rates.

CONTINGENT LIABILITIES

As at 30 September 2005, the Group did not have contingent liabilities (2004: nil).

CAPITAL COMMITMENTS

At 30 September 2005, the Group has capital expenditure of about HK$303,000 (2004: HK$915,000) in respect of the acquisition of plant and equipment authorised but not contracted for.

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2005 (2004: nil).

EMPLOYEES

As at 30 September 2005, the Group had 2,019 employees (2004: 2,248) spreading among Hong Kong, the PRC, the US, Germany and the UK. Industrial relationship has been well maintained.

The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2005.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 September 2005 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LIANG Jin You is the chairman of the Company but there is no chief executive officer appointed to the Board. The Company might consider appointing a chief executive officer in the event it could locate appropriate personnel.

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws.

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") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2005.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, namely Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR, Joseph Wai Shing. The audit committee has reviewed with the management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2005.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive directors, Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR, Joseph Wai Shing. The remuneration committee has adopted terms of the reference, which are in line with the Corporate Governance Code.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's interim report containing all the information required by paragraphs 46(1) to 46(9) 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
Artfield Group Limited
LIANG Jin You
Chairman

Hong Kong, 9 December 2005

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

Please also refer to the published version of this announcement in ***China Daily.***