



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

The board of directors (the “Board”) of Artfield Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2006, together with the comparative figures in 2005, as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	<u>NOTES</u>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Turnover	3	221,135	238,300
Cost of sales and services provided		<u>(192,309)</u>	<u>(181,868)</u>
Gross profit		28,826	56,432
Other operating income		2,509	1,213
Selling and distribution expenses		(13,824)	(12,018)
Administrative expenses		(44,441)	(43,530)
Other operating expenses		–	(1,688)
Finance costs	4	(2,893)	(3,185)
Gain on disposal of subsidiaries		–	1,693
Share of results of associates		–	765
Impairment loss recognised in respect of interests in associates		(23,768)	–
Impairment loss recognised in respect of goodwill		<u>(17,004)</u>	<u>–</u>
Loss before tax	5	(70,595)	(318)
Income tax expenses	6	<u>(1,516)</u>	<u>(1,755)</u>
Loss for the year		<u><u>(72,111)</u></u>	<u><u>(2,073)</u></u>
Attributable to:			
Equity holders of the Company		(72,149)	(2,414)
Minority interests		38	341
		<u><u>(72,111)</u></u>	<u><u>(2,073)</u></u>
Dividend	7	<u><u>–</u></u>	<u><u>–</u></u>
Loss per share – basic	8	<u><u>(HK27.49 cents)</u></u>	<u><u>(HK0.92 cents)</u></u>

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

	<u>NOTES</u>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Non-current assets			
Investment properties		6,426	–
Property, plant and equipment		56,499	66,994
Prepaid lease payments on land use rights		9,008	8,874
Intangible assets		–	39
Goodwill		–	17,004
Interests in associates		6,000	18,316
Deferred tax assets		135	135
		<u>78,068</u>	<u>111,362</u>
Current assets			
Inventories		79,118	95,634
Trade and bills receivables	9	55,637	56,904
Prepayments, deposits and other receivables		6,128	7,409
Prepaid lease payments on land use rights		220	208
Financial assets at fair value through profit or loss		2,343	–
Other investments		–	2,311
Amounts due from associates		–	210
Tax recoverable		86	–
Bank balances and cash		8,029	7,632
		<u>151,561</u>	<u>170,308</u>
Current liabilities			
Trade payables	10	28,553	31,427
Other payables and accruals		21,877	12,479
Tax payable		1,277	993
Obligations under finance leases – due within one year		598	606
Bank and other borrowings – due within one year		32,391	29,318
		<u>84,696</u>	<u>74,823</u>
Net current assets		66,865	95,485
Total assets less current liabilities		<u>144,933</u>	<u>206,847</u>
Capital and reserves			
Share capital		26,248	26,248
Reserves		106,591	162,338
Equity attributable to equity holders of the Company		132,839	188,586
Minority interests		7,002	6,964
		<u>139,841</u>	<u>195,550</u>
Non-current liabilities			
Obligations under finance leases – due after one year		586	363
Bank and other borrowings – due after one year		–	6,112
Deferred tax liabilities		4,506	4,822
		<u>5,092</u>	<u>11,297</u>
		<u>144,933</u>	<u>206,847</u>

1. BASIS OF PREPARATION

The 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 Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In the current year, 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 consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests 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 that have an effect on how the results for the current and prior accounting years are prepared and presented.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

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

	2006 <i>HK\$’000</i>	2005 <i>HK\$’000</i>
Non-amortisation of goodwill	996	–
Decrease in negative goodwill released to income of associates	(602)	–
Depreciation of investment properties	(272)	–
	<u>122</u>	<u>–</u>
Decrease in loss for the year	<u>122</u>	<u>–</u>

The cumulative effects of the application of the new HKFRSs on 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	Retrospective adjustments		As at 31 March 2005 (restated)	Prospective adjustments			As at 1 April 2005 (restated)
	<i>HK\$’000</i>	<i>HK\$’000</i> HKAS 1	<i>HK\$’000</i> HKAS 17	<i>HK\$’000</i>	<i>HK\$’000</i> HKAS 39	<i>HK\$’000</i> HKAS 40	<i>HK\$’000</i> HKFRS 3	<i>HK\$’000</i>
Balance sheet items								
Property, plant and equipment	81,945	–	(14,951)	66,994	–	–	–	66,994
Prepaid lease payments on land use rights	–	–	9,082	9,082	–	–	–	9,082
Other investments	2,311	–	–	2,311	(2,311)	–	–	–
Financial assets at fair value through profit or loss	–	–	–	–	2,311	–	–	2,311
Interests in associates	18,316	–	–	18,316	–	–	11,452	29,768
Deferred tax liabilities	(4,822)	–	–	(4,822)	–	316	–	(4,506)
Total effects on assets and liabilities	<u>97,750</u>	<u>–</u>	<u>(5,869)</u>	<u>91,881</u>	<u>–</u>	<u>316</u>	<u>11,452</u>	<u>103,649</u>
Property revaluation reserve	21,754	–	(8,723)	13,031	–	(1,489)	–	11,542
Capital reserve	42,603	–	–	42,603	–	–	3,391	45,994
Retained earnings	54,673	–	2,854	57,527	–	1,805	8,061	67,393
Minority interests	–	6,964	–	6,964	–	–	–	6,964
Total effects on equity	<u>119,030</u>	<u>6,964</u>	<u>(5,869)</u>	<u>120,125</u>	<u>–</u>	<u>316</u>	<u>11,452</u>	<u>131,893</u>
Minority interests	<u>6,964</u>	<u>(6,964)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The financial effects of the application of the new HKFRSs to the Group's equity on 1 April 2004 are summarised below:

	As originally stated	Adjustments		As restated
	<i>HK\$'000</i>	<i>HK\$'000</i> HKAS 1	<i>HK\$'000</i> HKAS 17	<i>HK\$'000</i>
Retained earnings	56,184	–	2,598	58,782
Property revaluation reserves	22,710	–	(8,723)	13,987
Minority interests	–	6,623	–	6,623
Total effects on equity	<u>78,894</u>	<u>6,623</u>	<u>(6,125)</u>	<u>79,392</u>

At the date of authorisation of these consolidated financial statements, the following standards and interpretations and amendments were in issue but not yet effective for the years covered by these consolidated financial statements.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	Net Investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease ²
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment ³
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁵
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁶

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

⁵ Effective for annual periods beginning on or after 1 May 2006.

⁶ Effective for annual periods beginning on or after 1 June 2006.

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

3. 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 result information by business segment for the year ended 31 March 2006 is as follows:

(a) Business segments

	Clocks and other office related products		Lighting products		Trading		Electroplating services		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
SEGMENT TURNOVER:										
Sales to external customers	<u>155,853</u>	<u>158,369</u>	<u>20,488</u>	<u>26,868</u>	<u>29,579</u>	<u>41,647</u>	<u>15,215</u>	<u>11,416</u>	<u>221,135</u>	<u>238,300</u>
SEGMENT RESULTS	<u>(20,072)</u>	<u>2,233</u>	<u>(2,391)</u>	<u>2,035</u>	<u>363</u>	<u>1,772</u>	<u>3,463</u>	<u>1,170</u>	<u>(18,637)</u>	<u>7,210</u>
Interest income									<u>98</u>	<u>442</u>
Net unallocated expenses									<u>(8,391)</u>	<u>(7,243)</u>
Finance costs									<u>(2,893)</u>	<u>(3,185)</u>
Gain on disposal of subsidiaries									<u>-</u>	<u>1,693</u>
Share of results of associates									<u>-</u>	<u>765</u>
Impairment loss recognised in respect of interest in associates									<u>(23,768)</u>	<u>-</u>
Impairment loss recognised in respect of goodwill									<u>(17,004)</u>	<u>-</u>
Loss before tax									<u>(70,595)</u>	<u>(318)</u>
Income tax expense									<u>(1,516)</u>	<u>(1,755)</u>
Loss for the year									<u>(72,111)</u>	<u>(2,073)</u>

(b) Geographical segments

The following table presents turnover information for the Group's geographical segments.

	North America		Europe		Hong Kong		PRC		Others		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment turnover:												
Sales to external customers	<u>84,124</u>	<u>81,344</u>	<u>73,651</u>	<u>83,364</u>	<u>11,476</u>	<u>15,779</u>	<u>47,874</u>	<u>44,209</u>	<u>4,010</u>	<u>13,604</u>	<u>221,135</u>	<u>238,300</u>

4. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest expenses on:		
- bank and other borrowings wholly repayable within five years	<u>2,845</u>	<u>3,123</u>
- obligations under finance leases	<u>48</u>	<u>62</u>
	<u>2,893</u>	<u>3,185</u>

5. LOSS BEFORE TAX

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Loss before tax has been arrived at after charging (crediting):		
Cost of inventories sold	177,730	173,506
Cost of services provided	14,579	8,362
Staff costs (excluding directors' remuneration):		
Basic salaries and allowances	41,817	43,131
Retirement benefits scheme contributions	1,756	296
	<u>43,573</u>	<u>43,427</u>
Depreciation of property, plant and equipment	7,091	9,754
Depreciation of investment properties	272	–
Allowance for bad and doubtful debts	1,796	–
Amortisation of intangible assets (included in administrative expenses)	27	27
Amortisation of goodwill (included in other operating expenses)	–	996
Amortisation of prepaid lease payments on land use rights (included in administrative expenses)	220	208
Auditors' remuneration	380	400
Research and development expenditure	267	290
Operating leases charges on rented premises	2,117	1,480
(Gain) Loss on disposal of property, plant and equipment	(19)	544
Impairment loss on investment properties	571	–
Unrealised holding loss on other investments	–	103
Write down for inventories	8,399	–
Gain arising from change in fair value of financial assets	(32)	–
Net loss (gain) on foreign exchange	1,013	(966)
Gross rental income from investment properties	(353)	(517)
Less: direct operating expenses that generated rental income	166	109
	<u>(187)</u>	<u>(408)</u>
Net rental income from investment properties	(187)	(408)
Interest income	(98)	(442)
Write back of bad and doubtful debts	(201)	(326)

6. INCOME TAX EXPENSES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	275	401
– Under(over) provision in prior years	996	(226)
Tax in other jurisdictions		
– current year	245	574
– under provision in prior years	–	162
	<u>1,516</u>	<u>911</u>
Deferred taxation	–	844
	<u>1,516</u>	<u>1,755</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

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

Pursuant to the laws and regulations in the People's Republic of China (the "PRC"), certain Group's PRC subsidiaries are 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.

Subsequent to the balance sheet date, Hong Kong Inland Revenue Department (the "IRD") issued the protective profits tax assessments (the "Protective Assessments") of approximately HK\$1,000,000 relating to years of assessment from 2000/01 to 2003/04 that were raised to a wholly-owned subsidiary of the Company. The Group lodged objection with the IRD against the Protective Assessments on 30 June 2006. The amount had been provided in the consolidated financial statements.

7. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2006 and 2005 since the balance sheet date.

8. LOSS PER SHARE – BASIC

The calculations of basic loss per share are based on the Group's loss attributable to the equity holders of the Company of HK\$72,149,000 (2005: HK\$2,414,000).

The basic loss per share is based on the weighted average number of 262,478,584 (2005: 261,276,442) ordinary shares in issue during the year.

No diluted loss per share has been presented for the year ended 31 March 2006 and 2005 as the outstanding during both years had an anti-dilutive effect on the basic loss per share for both years.

9. TRADE AND BILLS RECEIVABLES

	2006 HK\$'000	2005 HK\$'000 (Restated)
Trade and bills receivables (<i>Note</i>)	60,089	61,565
Less: Allowance for bad and doubtful debts	(4,452)	(4,661)
	<u>55,637</u>	<u>56,904</u>

Note:

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.

At the balance sheet date, the aging analysis of the trade and bills receivables, net of allowance for bad and doubtful debts was as follows:

	2006 HK\$'000	2005 HK\$'000 (Restated)
Within 90 days	24,214	28,231
91 – 365 days	29,166	28,236
Over 1 year	2,257	437
	<u>55,637</u>	<u>56,904</u>

The fair value of the Group's trade and bills receivables at 31 March 2006 was approximated to the corresponding carrying amount.

10. TRADE PAYABLES

At the balance sheet date, the aging analysis of the trade payables were as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 90 days	19,941	20,620
91 – 365 days	7,220	8,371
Over 1 year	1,392	2,436
	<hr/> 28,553 <hr/>	<hr/> 31,427 <hr/>

The fair value of the Group's trade payables, other payables and accruals at 31 March 2006 was approximated to the corresponding carrying amount.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$221,135,000 for the year ended 31 March 2006 (2005: HK\$238,300,000), it represents a reduction of 7.2% or HK\$17,165,000 as compared with last year. The Group recorded a loss for the year of approximately HK\$72,111,000 in the year under review (2005: loss for the year of HK\$2,073,000). The loss was mainly a result of recognizing the impairment loss of HK\$23,768,000 in respect of the disposal of 49% equity interests in Success Start Holdings Limited; the impairment loss of HK\$17,004,000 in respect of goodwill and the review of the Group's inventory value in view of the effective of the restriction of the use of certain hazardous substances in electrical and electronic equipment directive ("ROHS Directive") from 1 July 2006 in European Community. The Group's inventory was decreased by HK\$16,516,000 from HK\$95,634,000 at the end of last year to HK\$79,118,000 as at 31 March 2006.

BUSINESS REVIEW AND PROSPECTS

Clock and Other Office Related Products

This Division achieved a turnover of HK\$155,900,000 in the year under review, it represents a slight reduction of HK\$2,500,000 or 1.6% as compared with the same period last year.

The gross profit margin of the clock and other office related products was seriously hampered by increase in cost of materials such as copper, aluminium and plastic resin used in the production of the Division's products, coupled with the surging labour cost and the appreciation of Renminbi during the year under review. An analysis of products cost shows an average increase of about 17.3% for the year 2006 as compared with the year 2005.

The restructuring of overseas offices entailed the written off of old stock in the amount of approximately HK\$672,000 in the Group's USA office, Right Time Group, Inc. and approximately HK\$2,679,000 in the Germany Office, Wehrle Uhrenfabrik GmbH. This Division's inventory value decreased by HK\$18,000,000 to make provision for the impending application of the ROHS Directive to be effective in European Community from 1 July 2006.

This Division reported a segment trading loss of HK\$20,072,000 for the year ended 31 March 2006. The segment trading result for last year was a trading profit of HK\$2,233,000.

Lighting Products

The Lighting Products Division reported a turnover of HK\$20,500,000 in the year ended 31 March 2006. The result represents a reduction of HK\$6,400,000 or 23.7% as compared with last year.

As reported in the Company's interim report made up to 30 September 2005, this Division makes its sales predominantly to European markets which showed sign of slow down in their economy and has made a segment trading loss of HK\$677,000. This Division continued to operate in a difficult environment with a decrease in sales turnover and an increase in operation cost coupled with strong competition in the industry. The Group's effort in improving its profitability have turned out in vain. The Group has resolved to dispose the manufacturing operation of the Lighting Division with a view to enabling the Group to reallocate its resources and to concentrate on the Group's other existing businesses.

During the year under review, the Lighting Division report a segment trading loss of HK\$2,391,000.

The Group shall continue to carry on lighting products business through its overseas offices on trading basis.

Trading

The Trading Division mainly engages in trading of metal in the PRC market. During the year under review, the business was inevitably affected by the PRC government's tightening of macro-economic policy. This Division reported a turnover of HK\$29,600,000 and a trading profit of HK\$363,000 as compared with a turnover of HK\$41,600,000 and a segment trading profit of HK\$1,772,000 in last year.

In the short run, the management looks upon the business as an important source of marketing intelligence to the Group's other businesses in the PRC market, the management does not expect this Division to make substantial contribution to the Group's bottom line in the near future.

Electroplating Services

The Electroplating Services Division recorded a turnover of HK\$15,200,000 in the year ended 31 March 2006 as compared with HK\$11,400,000 last year. It reported a segment trading profit of HK\$3,463,000 in the year under review as compared with HK\$1,170,000 in last year.

This Division claimed taxation on manufacturing profit on 50:50 basis under the Hong Kong Inland Revenue Department's (the "IRD") Departmental Interpretation and Practice Notes No. 21 – Locality of Profit for the year of assessment from 2000/01. Subsequent to the balance sheet date, the IRD issued the protective profits tax assessments (the "Protective Assessments") of approximately HK\$1,000,000 relating to years of assessment from 2000/01 to 2003/04 on Ultra Good Electroplating Limited. The Company lodged objection with the IRD against the Protective Assessments on 30 June 2006.

The 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. This 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 governments' 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 use in the electroplating process.

The Group expects 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. This Division with 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 a the secured access to restricted materials.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group had total outstanding debts and finance lease obligations of HK\$33,575,000 (2005: HK\$36,399,000), of which HK\$24,314,000 (2005: HK\$31,164,000) was secured bank loans, HK\$11,416,000 (2005: HK\$10,596,000) was secured overdrafts, HK\$567,000 (2005: HK\$259,000) was unsecured other loans and HK\$1,184,000 (2005: HK\$969,000) was obligations under finance leases. The amount repayable within one year accounted for 98.3% (2005: 82.2%) of the total borrowings as at 31 March 2006. The maturity profile of the Group's total borrowings as at 31 March 2006 is analysed as follows:

	2006	2005
Within one year	98.3%	82.2%
In the second year	1.2%	17.4%
In the third to fifth years, inclusive	0.5%	0.4%
	<hr/>	<hr/>
Total	<u>100.0%</u>	<u>100.0%</u>

Our gearing ratio was at a healthy level of 0.4% (2005: 3.4%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 31 March 2006.

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

Certain of the Group's leasehold land and buildings, investment properties and financial assets were pledged to secure 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 31 March 2006, the Group did not have contingent liabilities (2005: nil).

EMPLOYEES

As at 31 March 2006, the Group had 1,808 employees (2005: 2,394) 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 year ended 31 March 2006.

CORPORATE GOVERNANCE

The Company is committed to maintain statutory and regulatory standards of corporate governance and adherent to the principles of transparency, independence, accountability, responsibility and fairness. During the year ended 31 March 2006, save as disclosed in the Company's interim report for the six months ended 30th September 2005 regarding the deviations from the code provisions A.2.1 and A.4.1 of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Company has complied with the code provisions set out in the CG Code.

Code provision A.2.1 Provides that the rules of Chairman and Chief Executive Officer should be separated 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 that 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 year ended 31 March 2006.

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 audited financial statements for the year ended 31 March 2006

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 RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) 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, 25 July 2006

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. Chen Vee Yong, Frederick and Mr. Lee Sang Yoon. 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.