ARTFIELD GROUP LIMITED

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

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 2007 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Continuing operations			
Turnover	3	**162,168**	205,920
Cost of sales and services provided		**(147,586)**	(183,537)
Gross profit		**14,582**	22,383
Other operating income		**5,596**	2,199
Selling and distribution expenses		**(8,902)**	(13,824)
Administrative expenses		**(37,285)**	(39,452)
Finance costs	4	**(2,820)**	(2,893)
Allowance for bad and doubtful debts		**(30,883)**	(1,699)
Write down for inventories		**(27,648)**	—
Gain on disposal of subsidiaries		**9,885**	—
Impairment loss recognised in respect of intangible asset		**(46,440)**	—
Impairment loss recognised in respect of goodwill		**(3,963)**	(17,004)
Impairment loss recognised in respect of interests in associates		**—**	(23,768)

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Loss before tax		**(127,878)**	(74,058)
Income tax credit (expenses)	5	**3,176**	(63)
Loss for the year from continuing operations		**(124,702)**	(74,121)
Discontinued operation			
(Loss) profit for the year from discontinued operation		**(93)**	2,010
Loss for the year	6	**(124,795)**	(72,111)
Attributable to:			
Equity holders of the Company		**(124,577)**	(72,149)
Minority interests		**(218)**	38
		(124,795)	(72,111)
Dividend	7	**—**	—
(LOSS) EARNINGS PER SHARE — BASIC	8		
From continuing operations		**(HK40.94 cents)**	(HK28.10 cents)
From discontinued operation		**(HK0.02 cents)**	HK0.61 cents
From continuing and discontinued operations		**(HK40.96 cents)**	(HK27.49 cents)

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2007

	NOTES	**2007** *HK$'000*	2006 *HK$'000*
Non-current assets			
Investment properties		**4,220**	6,426
Property, plant and equipment		**14,417**	56,499
Prepaid lease payments on land use rights		**—**	9,008
Intangible assets		**—**	—
Goodwill		**—**	—
Interests in associates		**—**	6,000
Deferred tax assets		**—**	135
		18,637	78,068
Current assets			
Inventories		**12,024**	79,118
Trade and bills receivables	*9*	**18,104**	55,637
Prepayments, deposits and other receivables		**2,581**	6,128
Amounts due from related companies		**33,113**	—
Prepaid lease payments on land use rights		**—**	220
Financial assets at fair value through profit or loss		**—**	2,343
Tax recoverable		**219**	86
Bank balances and cash		**1,857**	8,029
		67,898	151,561
Current liabilities			
Trade payables	*10*	**9,817**	28,553
Other payables and accruals		**13,125**	21,877
Tax payable		**1**	1,277
Obligations under finance leases — due within one year		**346**	598
Bank and other borrowings — due within one year		**10,382**	32,391
		33,671	84,696
Net current assets		**34,227**	66,865
Total assets less current liabilities		**52,864**	144,933
Capital and reserves			
Share capital		**30,448**	26,248
Reserves		**21,390**	106,591
Equity attributable to equity holders of the Company		**51,838**	132,839
Minority interests		**(211)**	7,002
		51,627	139,841
Non-current liabilities			
Obligations under finance leases — due after one year		**106**	586
Deferred tax liabilities		**1,131**	4,506
		1,237	5,092
		52,864	144,933

1. BASIS OF PREPARATION

The consolidated 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").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments which are measured at fair values.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new Hong Kong Accounting Standards ("HKASs"), HKFRSs and Interpretations ("HK(IFRIC)-INTs") that have been issued but are not yet effective as at 31 March 2007. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-INT 11	HKFRS 2 — Group and Treasury Share Transactions[6]
HK(IFRIC)-INT 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

3. SEGMENT INFORMATION

An analysis of the Group's turnover and result information by business segment for the year ended 31 March 2007 is as follows:

(a) Business segments

The following tables present turnover and results information for the Group's business segments.

2007

	Continuing operations				Discontinued operation	
	Clocks and other office related products	Lighting products	Trading	Total	Electroplating services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT TURNOVER :						
Sales to external customers	**134,612**	**8,519**	**19,037**	**162,168**	**11,237**	**173,405**
SEGMENT RESULTS	**(17,283)**	**(1,166)**	**292**	**(18,157)**	**142**	**(18,015)**
Interest income				**69**	**3**	**72**
Net unallocated expenses				**(7,921)**	**—**	**(7,921)**
Finance costs				**(2,820)**	**—**	**(2,820)**
Allowance for bad and doubtful debts	**(497)**	**—**	**(30,386)**	**(30,883)**	**(305)**	**(31,188)**
Write down for inventories				**(27,648)**	**—**	**(27,648)**
Gain on disposal of subsidiaries				**9,885**	**—**	**9,885**
Impairment loss recognised in respect of goodwill				**(3,963)**	**—**	**(3,963)**
Impairment loss recognised in respect of intangible asset				**(46,440)**	**—**	**(46,440)**
Loss before tax				**(127,878)**	**(160)**	**(128,038)**
Income tax credit				**3,176**	**67**	**3,243**
Loss for the year				**(124,702)**	**(93)**	**(124,795)**

2006

	Continuing operations				Discontinued operation	
	Clocks and other office related products	Lighting products	Trading	Total	Electroplating services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT TURNOVER :						
Sales to external customers	155,853	20,488	29,579	205,920	15,215	221,135
SEGMENT RESULTS	(18,404)	(2,360)	363	(20,401)	3,560	(16,841)
Interest income				98	—	98
Net unallocated expenses				(8,391)	—	(8,391)
Finance costs				(2,893)	—	(2,893)
Allowance for bad and doubtful debts	(1,668)	(31)	—	(1,699)	(97)	(1,796)
Impairment loss recognised in respect of interests in associates				(23,768)	—	(23,768)
Impairment loss recognised in respect of goodwill				(17,004)	—	(17,004)
(Loss) profit before tax				(74,058)	3,463	(70,595)
Income tax expenses				(63)	(1,453)	(1,516)
(Loss) profit for the year				(74,121)	2,010	(72,111)

(b) Geographical segments

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

	North America		Europe		Hong Kong		The People's Republic of China (the "PRC")		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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 turnover:												
Sales to external customers	**75,022**	84,124	**54,101**	73,651	**2,922**	11,476	**33,234**	47,874	**8,126**	4,010	**173,405**	221,135

Revenue from the Group's discontinued operation was derived mainly from the PRC.

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on:						
— bank and other borrowings wholly repayable within five years	**2,797**	2,845	**—**	—	**2,797**	2,845
— obligations under finance leases	**23**	48	**—**	—	**23**	48
	2,820	2,893	**—**	—	**2,820**	2,893

5. INCOME TAX (CREDIT) EXPENSES

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The (credit) charge comprises:						
Hong Kong Profits Tax						
— current year	**23**	30	**1**	245	**24**	275
— under (over) provision in prior years	**21**	(4)	**(165)**	1,000	**(144)**	996
Tax in other jurisdictions						
— current year	**—**	37	**96**	208	**96**	245
	44	63	**(68)**	1,453	**(24)**	1,516
Deferred taxation	**(3,220)**	—	**1**	—	**(3,219)**	—
	(3,176)	63	**(67)**	1,453	**(3,243)**	1,516

Hong Kong Profits Tax is calculated at 17.5% (2006 : 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 PRC, certain Group's PRC subsidiaries are exempted 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.

During the year ended 31 March 2006, Hong Kong Inland Revenue Department (the "IRD") issued the protective profits tax assessments (the "Protective Assessments") of approximately HK$1,000,000 relating to the years of assessment from 2000/01 to 2003/04 that is, for the four financial years ended 31 March 2004, against the former subsidiary of the Company which was being disposed of by the Company during the year ended 31 March 2007. The Group lodged objection with the IRD against the Protective Assessments on 30 June 2006. The amounts of HK$1,000,000 had been provided for in the consolidated financial statements.

The tax (credit) charges for the year can be reconciled to the loss per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss before tax:		
— Continuing operations	**(127,878)**	(74,058)
— Discontinued operation	**(160)**	3,463
	(128,038)	(70,595)
Tax at domestic income tax rate of 17.5% (2006 : 17.5%)	**(22,406)**	(12,354)
Tax effect of expenses not deductible for tax purposes	**16,130**	14,271
Tax effect of income not taxable for tax purpose	**(1,927)**	(540)
Utilisation of tax losses previously not recognised	**(140)**	(421)
Tax effect of tax losses not recongised	**6,192**	537
(Over) underprovision in prior years	**(144)**	996
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(595)**	(973)
Effect on tax exemption granted to PRC subsidiaries	**(353)**	—
Tax (credit) charges for the year	**(3,243)**	1,516

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold and services provided	**147,586**	183,537	**7,604**	8,772	**155,190**	192,309
Staff costs (excluding directors' remuneration):						
Basic salaries and allowances	**13,113**	40,148	**2,087**	1,669	**15,200**	41,817
Retirement benefits scheme contributions	**1,731**	1,711	**—**	45	**1,731**	1,756
	14,844	41,859	**2,087**	1,714	**16,931**	43,573
Depreciation of property, plant and equipment	**5,839**	6,202	**926**	889	**6,765**	7,091
Depreciation of investment properties	**327**	272	**—**	—	**327**	272
Allowance for bad and doubtful debts	**30,883**	1,699	**305**	97	**31,188**	1,796
Amortisation of intangible assets (included in administrative expenses)	**—**	27	**—**	—	**—**	27
Amortisation of prepaid lease payments on land use rights (included in administrative expenses)	**181**	174	**47**	46	**228**	220
Auditors' remuneration	**486**	350	**45**	30	**531**	380
Research and development expenditure	**127**	267	**—**	—	**127**	267
Operating leases charges on rented premises	**1,821**	2,094	**16**	23	**1,837**	2,117
Loss (gain) on disposal of property, plant and equipment	**497**	(19)	**—**	—	**497**	(19)
Loss on disposal of investment properties	**1,330**	—	**—**	—	**1,330**	—
Net exchange (gain) loss	**(3,479)**	996	**35**	17	**(3,444)**	1,013
Impairment loss recognised in respect of investment properties	**—**	571	**—**	—	**—**	571
Write down for inventories	**27,648**	—	**—**	—	**27,648**	—
Write down for inventories (included in cost of sales)	**597**	8,182	**—**	217	**597**	8,399
Gain arising from changes in fair value of financial assets at fair value through profit or loss	**—**	(32)	**—**	—	**—**	(32)
Gain on disposal of financial assets at fair value through profit or loss	**(8)**	—	**—**	—	**(8)**	—
Gross rental income from investment properties	**(540)**	(353)	**—**	—	**(540)**	(353)
Less : direct operating expenses that generated rental income	**190**	166	**—**	—	**190**	166
Net rental income from investment properties	**(350)**	(187)	**—**	—	**(350)**	(187)
Interest income	**(69)**	(98)	**(3)**	—	**(72)**	(98)
Write back of allowance for bad and doubtful debts	**(15)**	(201)	**(95)**	—	**(110)**	(201)

7. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2007 and 2006 since the balance sheet date.

8. (LOSS) EARNINGS PER SHARE - BASIC

From continuing and discontinued operations

The calculation of the basic loss per share attributable to the equity holders of the Company for the year is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the equity holders of the Company	**124,577**	72,149

	2007	2006
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**304,133,379**	262,478,584

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to equity holders of the Company for the year is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	**124,577**	72,149
Less: Loss (profit) for the year from discontinued operation attributable to equity holders of the Company	**74**	(1,603)
Loss for the year for the purpose of basic loss per share from continuing operations	**124,503**	73,752

The number of ordinary shares for the purposes of calculation of basic loss per share from continuing operations used as denominators is same as those detailed above.

From discontinued operation

Basic loss per share for discontinued operation is HK0.02 cents per share (2006: earnings of HK0.61 cents per share), based on the loss for the year from the discontinued operation attributable to the equity holders of the Company of approximately HK$74,000 (2006: profit attributable to equity holders of the Company of approximately HK$1,603,000) and the denominators detailed above for basic loss per share.

There was no dilution effect on the basic loss per share for the two years ended 31 March 2007 and 2006 as there were no dilutive shares outstanding during the two years ended 31 Mach 2007 and 2006.

9. TRADE AND BILLS RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade and bills receivables *(Note)*	**47,331**	60,089
Less : Allowance for bad and doubtful debts	**(29,227)**	(4,452)
	18,104	55,637

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:

	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**14,274**	24,214
91 — 365 days	**3,361**	29,166
Over 1 year	**469**	2,257
	18,104	55,637

The fair values of the Group's trade and bills receivables at the balance sheet date approximated to their corresponding carrying amounts because of their short-term of maturities.

10. TRADE PAYABLES

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

	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**8,375**	19,941
91 — 365 days	**1,026**	7,220
Over 1 year	**416**	1,392
	9,817	28,553

The fair values of the Group's trade payables at the balance sheet date approximated to their corresponding carrying amounts due to their short-term of maturities.

EXTRACT FROM AUDITORS' REPORT

Basis for qualified opinion

The Group acquired 100% equity interests in Matrix Software Inc. ("Matrix") during the year (the "Acquisition"). According to the unaudited management account, Matrix was holding an intangible asset, being the on-line game intellectual property rights and which was under development. We were unable to obtain sufficient documents to review and there were no alternative audit procedures that we could adopt to verify whether the carrying amount of HK$46,440,000 are stated at fair values at the date of acquisition and the amount of goodwill of HK$3,963,000 generated from the Acquisition were free from material misstatements.

As disclosed in notes 18 and 19 to the consolidated financial statements, impairment losses of HK$46,440,000 and HK$3,963,000 were recognised in respect of the intangible asset and goodwill respectively. The directors of the Company are of the opinion that the timing for launching the on-line game to the market was not determinable after reviewing the development progress of the intellectual property. The intangible asset and goodwill at the consolidated balance sheet as at 31 March 2007 have nil carrying values.

We were unable to obtain sufficient documents to review and there were no alternative audit procedures that we could adopt to verify whether the carrying values of intangible asset and goodwill were fairly stated in the consolidated balance sheet and the impairment losses on intangible asset and goodwill recognised in the consolidated income statement were appropriate.

As disclosed in note 31 to the consolidated financial statements, there were no movements in the financial position of Matrix during the period from the date of acquisition to the balance sheet date.

We were unable to adopt applicable audit procedures to ascertain whether the financial position of Matrix have been properly reflected in the consolidated financial statements and whether there were unrecorded liabilities, contingent liabilities and capital commitments existed at the balance sheet date. We were unable to quantify the impact on the consolidated financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for any adjustments that might have been found necessary had we been able to satisfy ourselves regarding the matter as set out in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2007 and of the Group's loss and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITIVE ADVANTAGE AND CORE COMPETENCE

The Group achieves its competitive advantage through the following core competences:

(i) The Group is considered as one of the leading player in clocks industry by virtue of its more than 20 years of experiences in the manufacturing, marketing and trading of clock, timepieces, gift and premium and other office related products. The other businesses are complementary and conducive to the Group's core business. The Group owns 3 brand names "WEHREL", "KLIK" and "ARTEX" which have long history and good standing in international clocks market. The Group's listing status provides financial reliability and confidence to customers.

(ii) Quality Control, Research and Development

The management of the Company places great emphasis on products quality and reliability by adopting strict quality controls standard, quality audit and endurance test for its products in order to fulfill the stringent requirements of its high-end customers.

(iii) The Group has a strong in-house design, research and development team who are expertise in their chosen fields with dedication to serve its prestigious customers. The Group also enters into partnership with well-acclaimed overseas design houses for new products designs and development apart from the vast reservoir of its own brands designs.

(iv) Sales and Marketing

The Group's sales and marketing activities operate in global arena with offices and presence in the USA, Germany, UK and the PRC. The presence attunes with the Group's niche marketing strategy and enables the Group to keep abreast with the market conditions and to develop new market segments.

BUSINESS REVIEW

It was stated in last year's annual report and in this year's interim report that the Group has encountered difficult operating environment with respect to its traditional manufacturing operations due to ever escalation of material costs, labour and overhead costs, persistent appreciation of Renminbi and increasingly stringent custom and regulatory controls of the PRC government towards importing of materials into, and exporting of products out of, the PRC, where the Group's manufacturing operations were based.

During the year the Group reviewed its manufacturing operations, including looking into alternative source of products supply, with a view to reduce production costs so as to improve the competitiveness of the Group's products in the global market.

During the period under review, the Group took strategic steps to bring the above goals to reality by disposing of the manufacturing operation of the Lighting Products Division in June 2006, the original equipment manufacturing ("OEM") operations and facilities of the Clocks and Other Office Related Products Division as well as the entire operation of the Electroplating Services Division in March 2007.

After the aforesaid disposals, the Group's principal businesses mainly comprised of (i) Clocks and Other Office Related Products Division which will now engage primarily in the marketing and trading of clock, timepieces, gift and premium and other office related products; (ii) Lighting Products Division which will now engage in the trading of lighting products through its overseas offices; and (iii) Trading Division which engages primarily in the trading of metals.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK$173,405,000 for the year ended 31 March 2007 (2006: HK$221,135,000). It represents a reduction of approximately HK$47,730,000 or 21.6% as compared with last year. Turnover for (i) clocks and other office related products decreased by approximately HK$21,241,000 or 13.6% from that of last year; (ii) lighting products decreased by approximately HK$11,969,000 or 58.4% from that of last year; (iii) trading of metals decreased by approximately HK$10,542,000 or 35.6% from that of last year. Service fee from the discontinued operation of electroplating services decreased by approximately HK$3,978,000 or 26.1% as compared with last year.

A loss of approximately HK$124,795,000 (2006: approximately HK$72,111,000) was recorded by the Company for the year ended 31 March 2007. This was mainly attributable to the allowance for bad and doubtful debts against a customer in the metal trading business of approximately HK$30,386,000 and the write down of inventories of approximately HK$27,648,000 as a result of the disposal of the manufacturing operations and the impairment loss recognised in respect of intangible asset of approximately HK$46,440,000.

The performance of each of the Group's businesses for the year ended 31 March 2007 are set out below:

Clocks and Other Office Related Products

This Division achieved a turnover of approximately HK$134,612,000 in the year under review, it represents a reduction of approximately HK$21,241,000 or 13.6% as compared with the same period last year.

The gross profit margin of clocks and other office related products was seriously hampered by increase in cost of materials such as copper, aluminum and plastic resin used in the production of the Division's products, couple with the surging labour cost and the persistent appreciation of Renminbi during the year under review.

This Division reported a segment trading loss of approximately HK$17,780,000 (included allowance for bad and doubtful debts in the amount of approximately HK$497,000) for the year ended 31 March 2007. The segment trading result for last year was a trading loss of approximately HK$20,072,000 (including allowance for bad and doubtful debts in the amount of approximately HK$1,668,000).

Lighting Products

The Group has disposed the manufacturing operation of the Lighting Products Division in June 2006. The disposal resulted a gain from the disposal of subsidiaries approximately HK$6,658,000. Following disposal of the manufacturing operation of the lighting products business, the Group carries on the lighting products business on trading basis mainly through its overseas offices.

The lighting products division reported a turnover of approximately HK$8,519,000 and a segment trading loss of approximately HK$1,166,000 in the year ended 31 March 2007 as compared with a turnover of approximately HK$20,488,000 and a segment trading loss of approximately HK$2,391,000 (included allowance for bad and doubtful debts in the amount of approximately HK$31,000) in the same period last year.

Trading

The Trading Division mainly engages in trading of metal in the PRC market. During the year review, the business was inevitably affected by the PRC government's tightening of macro-economic policy. This Division reported a turnover of approximately HK$19,037,000 and segment trading loss of approximately HK$30,094,000 as compared with a turnover of approximately HK$29,579,000 and a segment trading profit of HK$363,000 in last year. The segment trading loss for the year included allowance for bad and doubtful debts in the amount of approximately HK$30,386,000 against a customer whose payment practice was slow and the repayment ability was in doubt. The Group will continue to take necessary measure, including taking legal action, for the recovery of the debts.

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.

INVESTMENT IN ONLINE COMPUTER GAMES

The Group acquired the entire issued share capital of Matrix Software Inc. in April 2006. Matrix Software Inc. engages in the marketing and development of online computer games, it owns an intellectual property right in the online computer game known as "Shanghai Storm" in the PRC, Hong Kong and Macau and it is an MMORPG (massively multiplayer online role-playing game) with a unique 3D game engine. The aforesaid acquisition resulted in creation of an intellectual property in the amount of HK$46,440,000 and gave rise to a goodwill of HK$3,960,000.

As stated in the composite offer and response document of the Company dated 13 June 2007, the new management of the Company will conduct a review on the existing businesses of the Group. It has come to the attention of the Board that there is a substantial procrastination in the development and testing, launching and commercialization of the online computer game. As disclosed in the Company's interim report for the six months ended 30 September 2006 dated 8 December 2006, the Open Beta was scheduled to be launched in January 2007 in Korea and February 2007 in the PRC and will be expected to be commercialized in June 2007. However, the Open Beta was subsequently delayed to the second quarter of 2007 in Korea and in July 2007 in the PRC and was scheduled to be commercialized in July 2007.

Notwithstanding the aforesaid, according to latest information currently available to the Board, the online computer game is still at the testing stage, which exact duration cannot be ascertained. Neither are the actual dates for Open Beta and commercialization of it in Korea can be predicted with reasonably accuracy at this stage needless to say in the PRC since the online computer game is originally developed in Korea and localization of it in the PRC for Open Beta and commercial use can only be done subsequent to a successful launch and commercialization of it in Korea. This unexpected substantial delay causes the Group to cast a serious doubt on the timing and certainty of the commercial viability of the online computer game and makes it impossible to assess the existing fair value of the relating intellectual property and goodwill when preparing the financial statement for the financial year ended 31 March 2007. After serious considerations and extensive discussions, a prudent approach is adopted whereby the intellectual property of and goodwill arising from the online computer game are written down.

PROSPECTS

The Group will endeavor to achieve a break-even in the clocks business in the coming year while it will conduct a review of the Group's financial position and operations and formulate a long-term strategy and plans for the Group to broaden and expand the scope of business and income stream of the Group. Apart from exploring new business opportunities, the Group will, in view of the flourishing capital market and for the purpose of opening up an immediate new source of income thus turning the Group to a profitable position in the near future, engage in trading of listed securities in the coming year. The Group will continue to stream-line and restructure its existing businesses as it sees fit and necessary and to diversify its businesses with a view to enhance the intrinsic value of the Company's shares.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the Group had total outstanding debts and finance lease obligations of approximately HK$10,834,000 (2006: approximately HK$33,575,000), of which approximately HK$5,346,000 (2006: approximately HK$24,314,000) was secured bank loans, approximately HK$5,324,000 (2006: approximately HK$11,416,000) was bank overdrafts, there was no unsecured other loan as at 31 March 2007 (2006: approximately HK$567,000) and approximately HK$452,000 (2006: approximately HK$1,184,000) was obligations under finance leases. The amount repayable within one year accounted for 99.0% (2006: 98.3%) of the total borrowings as at 31 March 2007. The maturity profile of the Group's total borrowings as at 31 March 2007 is analysed as follows:

	2007	2006
Within one year	**99.0**	98.3%
In the second year	**0.9**	1.2%
In the third to fifth years, inclusive	**0.1**	0.5%
Total	**100%**	100%

Our gearing ratio was at a healthy level of 0.2% (2006:0.4%). The computation is based on long-term borrowings of the Group divided by shareholder's equity as at 31 March 2007.

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 and investment properties 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 peg the Hong Kong dollars with the US dollars remains unchange.

TREASURY POLICIES

The Group generally finances its operation with internal generated resources and banking and credit facilities provided by banks in Hong Kong and the UK. All borrowings are denominated in Hong Kong dollars, the US dollars, 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 2007, the Group did not have contingent liabilities (2006: nil).

EMPLOYEES

As at 31 March 2007, the Group had 114 employees (2006: 1,808) 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 SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has during the year ended 31 March 2007 complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"), except the following aspects:

1. For the sake of flexibility, the Board holds meeting whenever necessary. During the year under review, the Board held eleven meetings which exceeded the minimum number of board meetings required under Code provision A.1.1.;

2. The independent non-executive directors of the Company were not appointed for specific terms but were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws; and

3. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the year under review, the Company did not have any officer with CEO title. Mr. Liang Jin You was the Chairman and Managing Director of the Company and also carried out the responsibility of CEO during the year under review. In view of the size of operation of the Group, 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.

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. Save for Messrs. CHEN Vee Yong, Frederick and LEE Sang Yoon, who are past executive directors and have not given their confirmations, all the directors of the Company during the year under review, namely Mr. LIANG Jin You, Ms. LI Kwo Yu, Mr. LEUNG Kin Yau, Mr. OU Jian Sheng, Mr. DENG Ju Neng, Mr. LO Ming Chi, Charles, Ms. LO Wah Wai and Mr. ORR Joseph Wai Shing, have confirmed, following specific inquiry by the Company that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, namely Messrs. LO Ming Chi, Charles, LO Wah Wai and ORR 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 2007.

REMUNERATION COMMITTEE

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 August 2007 to 28 August 2007, both days inclusive, during which period no transfer of shares will be effected.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report containing all the information required by paragraphs 45 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
LAU King Pong, Stephen
Company Secretary

Hong Kong, 27 July 2007

As at the date of this announcement, the executive directors of the Company include Mr. LEUNG Heung Ying, Alvin and Ms. CHUNG Oi Ling, Stella. The independent non-executive directors of the Company include Mr. LO Ming Chi, Charles, Mr. LO Wah Wai, Mr. ORR Joseph Wai Shing and Mr. WONG Ngao San, Marcus.