



# ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

		2008	2007
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>			
Turnover		<b>137,100</b>	153,649
Cost of sales and services provided		<b>(125,049)</b>	(140,914)
Gross profit		<b>12,051</b>	12,735
Other operating income		<b>17,445</b>	5,105
Selling and distribution expenses		<b>(7,811)</b>	(7,930)
Administrative expenses		<b>(41,240)</b>	(36,647)
Finance costs	5	<b>(974)</b>	(2,812)
Allowance for doubtful debts of trade receivables		<b>(421)</b>	(28,992)
Write down for inventories		–	(27,648)
Gain on disposal of subsidiaries		–	3,227
Impairment loss recognised in respect of intangible asset		–	(46,440)
Impairment loss recognised in respect of goodwill		–	(3,963)
Loss before tax		<b>(20,950)</b>	(133,365)
Income tax (expense) credit	6	<b>(515)</b>	3,327

		<b>2008</b>	2007
	<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss for the year from continuing operations		<b>(21,465)</b>	(130,038)
<b>Discontinued operations</b>			
(Loss) profits for the year from discontinued operations	<i>10</i>		
– Lighting products operation		<b>(780)</b>	5,336
– Electroplating services operations		–	(93)
		<hr/>	<hr/>
Loss for the year	<i>7</i>	<b>(22,245)</b>	(124,795)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to :			
Equity holders of the Company		<b>(22,245)</b>	(124,577)
Minority interests		–	(218)
		<hr/>	<hr/>
		<b>(22,245)</b>	(124,795)
		<hr/> <hr/>	<hr/> <hr/>
Dividend	<i>8</i>	–	–
		<hr/> <hr/>	<hr/> <hr/>
<b>(LOSS) EARNINGS PER SHARE</b>			
– BASIC ( <i>in Hong Kong cents</i> )	<i>9</i>		
From continuing operations		<b>(6.60)</b>	(42.69)
From discontinued operations		<b>(0.24)</b>	1.73
		<hr/>	<hr/>
From continuing and discontinued operations		<b>(6.84)</b>	(40.96)
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Investment properties		–	4,220
Property, plant and equipment		600	14,417
Intangible assets		–	–
Goodwill		–	–
		<u>600</u>	<u>18,637</u>
<b>Current assets</b>			
Inventories		3,491	12,024
Trade and other receivables	11	16,099	20,685
Amounts due from related companies		–	33,113
Tax recoverable		127	219
Bank balances and cash		383,413	1,857
		<u>403,130</u>	<u>67,898</u>
<b>Current liabilities</b>			
Trade and other payables	12	21,042	22,942
Amount due to a related company		260	–
Tax payable		43	1
Obligations under finance leases			
– due within one year		3	346
Bank borrowings		2,984	10,382
		<u>24,332</u>	<u>33,671</u>
<b>Net current assets</b>		<u>378,798</u>	<u>34,227</u>
<b>Total assets less current liabilities</b>		<u>379,398</u>	<u>52,864</u>
<b>Capital and reserves</b>			
Share capital		76,537	30,448
Reserves		157,624	21,390
Equity attributable to equity holders of the Company		234,161	51,838
Minority interests		–	(211)
		<u>234,161</u>	<u>51,627</u>
<b>Non-current liabilities</b>			
Convertible loan notes		145,237	–
Obligations under finance leases			
– due after one year		–	106
Deferred tax liabilities		–	1,131
		<u>145,237</u>	<u>1,237</u>
		<u>379,398</u>	<u>52,864</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

## 2. INDEPENDENT AUDITOR’S REPORT

### Basis of qualified opinion

Our report on the consolidated financial statements of the Group for the year ended 31 March 2007 was qualified in view of the nature of the limitations of the scope of our audit resulting from insufficiency of supporting documentation and explanations.

In summary the scope limitations including the following:

- i. The fair value of an under development on-line game intellectual property rights (“Intangible Asset”) held by Matrix Software Inc. (“Matrix”) in the amount of HK\$46,440,000, at the date on which the Group acquired 100% equity interests in Matrix.
- ii. The goodwill (“Goodwill”) of HK\$3,963,000 arised from the acquisition of Matrix.
- iii. The full impairment loss made in respect of the Goodwill and Intangible Asset.
- iv. Incomplete books and records of Matrix.

Any adjustments found to be necessary to the opening balances of the above items as at 1 April 2007 would have consequential effects on the loss for the year and net assets as at 31 March 2008.

For the year ended 31 March 2008, in respect of the items stated above, we were still unable to obtain sufficient documents to review and there were no alternative audit procedures that we could adopt to satisfy ourselves as to whether the financial statements items stated above were fairly stated and free from material misstatement.

In addition, we were also unable to ascertain whether the financial position of Matrix as at 31 March 2008 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 as of 31 March 2008.

#### **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 2008 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.

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2007.

Hong Kong Accounting Standard (“HKAS”) 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC)-Interpretation (“INT”) 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position 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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 1 & 32 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Consolidated Financial Statements <sup>4</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-INT 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-INT 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1st January 2009.*

<sup>2</sup> *Effective for annual periods beginning on or after 1st January 2008.*

<sup>3</sup> *Effective for annual periods beginning on or after 1st July 2008.*

<sup>4</sup> *Effective for annual periods beginning on or after 1st July 2009.*

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.

#### 4. SEGMENT INFORMATION

##### (a) Business segments

The following tables present turnover, results and certain asset, liabilities and expenditure information for the Group's business segments.

2008

	Continuing operations			Discontinued operations	
	Clocks and other office related products <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Lighting products <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT TURNOVER:					
Sales to external customers	<u>129,940</u>	<u>7,160</u>	<u>137,100</u>	<u>64</u>	<u>137,164</u>
SEGMENT RESULTS	<u>(11,485)</u>	<u>3,303</u>	(8,182)	(1,440)	(9,622)
Interest income			963	–	963
Net unallocated expenses			(12,336)	–	(12,336)
Finance costs			(974)	–	(974)
Allowance for doubtful debts of trade receivables	(421)	–	(421)	–	(421)
Gain on disposal of subsidiaries			–	669	669
Loss before tax			(20,950)	(771)	(21,721)
Income tax expense			(515)	(9)	(524)
Loss for the year			<u>(21,465)</u>	<u>(780)</u>	<u>(22,245)</u>

2007

	Continuing operations			Discontinued operations			Total HK\$'000
	Clocks and other office related products HK\$'000	Trading HK\$'000	Subtotal HK\$'000	Lighting products HK\$'000	Electroplating services HK\$'000	Subtotal HK\$'000	
SEGMENT TURNOVER :							
Sales to external customers	134,612	19,037	153,649	8,519	11,237	19,756	173,405
SEGMENT RESULTS	(17,283)	292	(16,991)	(1,166)	142	(1,024)	(18,015)
Interest income			66			6	72
Net unallocated expenses			(9,812)			(305)	(10,117)
Finance costs			(2,812)			(8)	(2,820)
Allowance for doubtful debts of trade receivables	(14)	(28,978)	(28,992)	-	-	-	(28,992)
Write down for inventories	(27,648)	-	(27,648)	-	-	-	(27,648)
Gain on disposal of subsidiaries			3,227			6,658	9,885
Impairment loss recognised in respect of intangible asset			(46,440)			-	(46,440)
Impairment loss recognised in respect of goodwill			(3,963)			-	(3,963)
(Loss) profit before tax			(133,365)			5,327	(128,038)
Income tax credit (expense)			3,327			(84)	3,243
(Loss) profit for the year			(130,038)			5,243	(124,795)



2008

	Continuing operations			Discontinued operations	
	Clocks and other office related products <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Lighting products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	16,950	3,200	20,150	5	20,155
Unallocated assets			383,549	26	383,575
Total assets			<u>403,699</u>	<u>31</u>	<u>403,730</u>
<b>LIABILITIES</b>					
Segment liabilities	17,275	7	17,282	101	17,383
Unallocated liabilities			152,186	–	152,186
Total liabilities			<u>169,468</u>	<u>101</u>	<u>169,569</u>
<b>OTHER SEGMENT INFORMATION:</b>					
Capital expenditure	201	–	201	–	201
Unallocated capital expenditure			66	–	66
			<u>267</u>		<u>267</u>
Depreciation and amortisation	1,040	–	1,040	86	1,126
Unallocated depreciation and amortisation			53	–	53
			<u>1,093</u>	<u>86</u>	<u>1,179</u>
Allowance for doubtful debts	449	–	449	–	449
Bad debts directly written off	491	–	491	102	593
Write down for inventories	5,421	–	5,421	–	5,421
Gain on disposal of property, plant and equipment	(452)	–	(452)	–	(452)
Impairment loss on property, plant and equipment	–	–	–	619	619
Write back of allowance for doubtful debts of trade receivables	–	(3,249)	(3,249)	–	(3,249)
			<u>–</u>	<u>–</u>	<u>(3,249)</u>

2007

	Continuing operations			Discontinued operations			
	Clocks and other office related products <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Lighting products <i>HK\$'000</i>	Electroplating services <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>							
Segment assets	72,632	2,904	75,536	7,287	–	7,287	82,823
Unallocated assets			3,570			142	3,712
Total assets			<u>79,106</u>			<u>7,429</u>	<u>86,535</u>
<b>LIABILITIES</b>							
Segment liabilities	18,667	7	18,674	1,481	–	1,481	20,155
Unallocated liabilities			14,753			–	14,753
Total liabilities			<u>33,427</u>			<u>1,481</u>	<u>34,908</u>
<b>OTHER SEGMENT INFORMATION:</b>							
Capital expenditure	1,393	–	1,393	244	96	340	1,733
Depreciation and amortisation	5,838	1	5,839	431	973	1,404	7,243
Unallocated depreciation and amortisation			77			–	77
			<u>5,916</u>			<u>1,404</u>	<u>7,320</u>
Unallocated impairment losses recognised in respect of intangible asset and goodwill			50,403			–	50,403
Allowance for doubtful debts	258	28,978	29,236	–	–	–	29,236
Bad debt directly written off	239	1,408	1,647	–	305	305	1,952
Write down for inventories	28,245	–	28,245	–	–	–	28,245
Loss on disposal of property, plant and equipment	426	–	426	42	–	42	468
Unallocated loss on disposal of property, plant and equipment			29			–	29
			<u>455</u>			<u>42</u>	<u>497</u>
Write back of allowance for doubtful debt of trade receivables	(15)	–	(15)	–	(95)	(95)	(110)

**(b) Geographical segments**

The following table presents turnover and certain assets and expenditure information for the Group's geographical segments.

	North America		Europe		Hong Kong		The People's Republic of China (the "PRC") (other than Hong Kong)		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	<b>76,598</b>	75,022	<b>35,575</b>	54,101	<b>3,579</b>	2,922	<b>14,064</b>	33,234	<b>7,348</b>	8,126	<b>137,164</b>	173,405
Other segment information:												
Segment assets	-	425	<b>4,020</b>	13,893	<b>13,995</b>	51,901	<b>2,140</b>	5,821	-	10,783	<b>20,155</b>	82,823
Capital expenditure	-	-	<b>9</b>	103	<b>188</b>	23	<b>4</b>	1,511	<b>66</b>	96	<b>267</b>	1,733

Revenue from the Group's discontinued operations was derived mainly from the PRC and Europe.

**5. FINANCE COSTS**

	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on:						
- bank borrowings wholly repayable within five years	<b>180</b>	2,304	-	8	<b>180</b>	2,312
- bank overdrafts	<b>39</b>	485	-	-	<b>39</b>	485
- obligations under finance leases	<b>23</b>	23	-	-	<b>23</b>	23
- effective interest expenses on convertible loan notes	<b>732</b>	-	-	-	<b>732</b>	-
	<b>974</b>	2,812	-	8	<b>974</b>	2,820

## 6. INCOME TAX (CREDIT) EXPENSES

	Continuing operations		Discontinued operations		Total	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The (credit) charge						
comprises:						
Hong Kong Profits Tax						
– current year	–	5	9	19	9	24
– under (over) provision						
in prior years	–	21	–	(165)	–	(144)
Tax in other jurisdictions						
– current year	42	–	–	96	42	96
	42	26	9	(50)	51	(24)
Deferred taxation	473	(3,353)	–	134	473	(3,219)
	515	(3,327)	9	84	524	(3,243)

Hong Kong Profits Tax is calculated at 17.5% (2007 : 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 of the Group's subsidiaries operating in the PRC are entitled to exemption from PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the following three years.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

The tax rate applicable to the PRC subsidiaries are subject to approval by the tax authority.

## 7. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operations		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cost of inventories sold and services provided	125,049	140,914	101	14,276	125,150	155,190
Staff costs (excluding directors' remuneration)						
Basic salaries and allowances	13,492	11,992	–	3,208	13,492	15,200
Retirement benefits scheme contributions	486	1,687	–	44	486	1,731
	<b>13,978</b>	13,679	–	3,252	<b>13,978</b>	16,931
Depreciation of property, plant and equipment	1,010	5,408	86	1,357	1,096	6,765
Depreciation of investment properties	83	327	–	–	83	327
Allowance for doubtful debts of trade receivables	421	28,992	–	–	421	28,992
Allowance for doubtful debts of other receivables	28	244	–	–	28	244
Amortisation of prepaid lease payments on land use rights (included in administrative expenses)	–	181	–	47	–	228
Auditors' remuneration	547	463	10	68	557	531
Bad debts directly written off	491	1,647	102	305	593	1,952
Impairment loss on property, plant and equipment	–	–	619	–	619	–
Research and development expenditure	–	127	–	–	–	127
Operating leases charges on rented premises	2,343	1,678	–	159	2,343	1,837
Share-based payment expenses (excluding directors)	726	–	–	–	726	–
Net exchange (gain) loss	(7,263)	(3,370)	1	(74)	(7,262)	(3,444)
Write down for inventories (included in administrative expenses)	–	27,648	–	–	–	27,648

	Continuing operations		Discontinued operations		Total	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Write down for inventories (included in cost of sales)	5,421	597	–	–	5,421	597
Gain on deregistration of a subsidiary	(215)	–	–	–	(215)	–
(Gain) loss on disposal of property, plant and equipment	(452)	455	–	42	(452)	497
(Gain) loss on disposal of investment properties	(544)	1,330	–	–	(544)	1,330
Gain on disposal of financial assets at fair value through profit or loss	–	(8)	–	–	–	(8)
Gross rental income from investment properties	(197)	(500)	(5)	(40)	(202)	(540)
<i>Less:</i> direct operating expenses that generated rental income	53	121	–	69	53	190
Net rental income from investment properties	(144)	(379)	(5)	29	(149)	(350)
Interest income	(963)	(66)	–	(6)	(963)	(72)
Write back of allowance for doubtful debts of trade receivables	(3,249)	(15)	–	(95)	(3,249)	(110)

## 8. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2008 and 2007 since the balance sheet date.

## 9. (LOSS) EARNINGS PER SHARE – BASIC

### From continuing and discontinued operations

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to the equity holders of the Company	<u>22,245</u>	<u>124,577</u>
	2008	2007

### Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>325,315,373</u>	<u>304,133,379</u>
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### 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company	22,245	124,577
<i>Less:</i> (Loss) profits for the year from discontinued operations attributable to equity holders of the Company	<u>(780)</u>	<u>5,262</u>
Loss for the year for the purpose of basic loss per share from continuing operations	<u>21,465</u>	<u>129,839</u>

The denominators used are the same as those detailed above for basic loss per share.

### From discontinued operation

Basic loss per share for discontinued operations was HK0.24 cents per share (2007: earnings HK1.73 cents), based on the loss for the year from the discontinued operation attributable to the equity holders of the Company of approximately HK\$780,000 (2007: earnings of HK\$5,262,000) and the denominators detailed above for basic loss per share.

No diluted loss is presented for the year ended 31 March 2008 as the exercise of the outstanding share options and the conversion of the convertible loan notes during the year had an anti-dilutive effect on the basic loss per share.

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

## 10. DISCONTINUED OPERATIONS

### (a) Discontinued operation of lighting products

During the year ended 31 March 2008, resulting from disposal and voluntary winding up of two of the major subsidiaries under the lighting products segment, the Group ceased the operation of marketing of energy saving lighting products. This is regarded as a discontinued operation and accordingly, the consolidated results and cash flows of the operation for the year ended 31 March 2008 were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	64	8,519
Cost of sales	<u>(101)</u>	<u>(6,672)</u>
Gross (loss) profit	(37)	1,847
Other operating income	5	881
Gain on disposal of subsidiaries	669	6,658
Selling and distribution expenses	(37)	(972)
Administrative expenses	(1,371)	(2,919)
Finance costs	<u>-</u>	<u>(8)</u>
(Loss) profits before tax	(771)	5,487
Income tax expense	<u>(9)</u>	<u>(151)</u>
(Loss) profits for the year	<u>(780)</u>	<u>5,336</u>
Attributable to:		
Equity holders of the Company	(780)	5,336
Minority interests	<u>-</u>	<u>-</u>
	<u><b>(780)</b></u>	<u><b>5,336</b></u>



**(b) Discontinued operations of electroplating services**

In January 2007, the Group entered into an agreement to dispose of a subsidiary, Ultra Good Electroplating Limited and its subsidiaries (the “Ultra Good Group”), which carried out all the Group’s electroplating services operations. The disposal was effected in order to generate cash flow for the expansion of the Group’s other businesses. The disposal was completed on 30 March 2007, on which date control of Ultra Good Group passed to the acquirer. This was regarded as a discontinued operation.

The results of the electroplating services operations for the period from 1 April 2006 to 30 March 2007, which had been included in the consolidated income statement for the year ended 31 March 2007, were as follows:

	<b>1.4.2006 to 30.3.2007</b> <i>HK\$’000</i>
Turnover	11,237
Cost of services provided	<u>(7,604)</u>
Gross profit	3,633
Other operating income	147
Administration expenses	<u>(3,940)</u>
Loss before tax	(160)
Income tax credit	<u>67</u>
Loss for the period	<u><u>(93)</u></u>
Attributable to:	
Equity holders of the Company	(74)
Minority interests	<u>(19)</u>
	<u><u>(93)</u></u>

## 11. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade and bills receivables	14,563	47,331
<i>Less: Allowance for doubtful debts of trade receivables</i>	<u>(629)</u>	<u>(29,227)</u>
	13,934	18,104
Prepayments, deposits and other receivables	2,193	2,825
<i>Less: Allowance for doubtful debts of other receivables</i>	<u>(28)</u>	<u>(244)</u>
	<u>16,099</u>	<u>20,685</u>

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 doubtful debts was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 90 days	9,620	14,274
91 – 365 days	1,002	3,361
Over 1 year	<u>3,312</u>	<u>469</u>
	<u>13,934</u>	<u>18,104</u>

At 31 March 2008, the carrying amount of the trade receivables which have been pledged as security for the borrowings, is HK\$1,567,000 (2007: Nil). The carrying amount of the associated liability is HK\$1,338,000.

## 12. TRADE AND OTHER PAYABLES

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

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	<b>6,958</b>	8,375
91 – 365 days	<b>1,112</b>	1,026
Over 1 year	<b>635</b>	416
	<hr/>	<hr/>
Trade payables	<b>8,705</b>	9,817
Other payables and accruals	<b>12,337</b>	13,125
	<hr/>	<hr/>
	<b>21,042</b>	22,942
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2008, a balance payable to Mr. Liang Jin You, a former executive director of the Company and a then controlling shareholder of the Company, amounting to HK\$1,700,000 (2007: Nil) was included in other payables. The amount was unsecured, non-interest bearing and repayable on demand.

## 13. POST BALANCE SHEET EVENTS

On 11 July 2008, the Group entered into a service agreement with China Sonangol International Limited (“China Sonangol”), in relation to the provision of certain marketing analysis, news clipping, preparation of sales report, invoicing and preparation of management accounts services on oil trading by the group at a services fee of HK\$500,000 per month for the period of 18 months. China Sonangol is incorporated in Hong Kong with limited liability, which is the holding company of Ascent Goal Investments Limited, the controlling shareholder of the Company. Details of this transaction are stated in an announcement of the Company dated 17 July 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operation and Prospect

The Group ceased the operation of marketing of energy saving lighting products in the financial year ended 31 March 2008 which was resulted from disposal and voluntary winding up of two of the major subsidiaries under the lighting products segment. In addition, the Group disposed of certain land and buildings and investment properties during the year.

Loss of the Group for the year ended 31 March 2008 was significantly decreased by 82.17% to approximately HK\$22,245,000 (2007: approximately HK\$124,795,000). This was mainly because no impairment loss in respect of intangible asset and goodwill was recognized, the allowance for doubtful debts of trade receivables was only amounted to approximately HK\$421,000 and HK\$5,421,000 for write down of inventories during the year.

The last financial year remained a challenging year for the Group. The inflationary pressure in the Mainland China resulted in an increase in the Group's cost of production and the appreciation of Renminbi affected the competitiveness of its products in the overseas market. Nevertheless, the management of the Group strived for maintaining the business performance of its operations and was able to maintain the gross profit at approximately HK\$12,014,000 (2007: HK\$18,215,000) notwithstanding that the turnover of its operations decreased from HK\$173,405,000 to HK\$137,164,000 which represented a decrease of 20.90% or approximately HK\$36,241,000 when compared with last year.

In view of the prospects relating to natural resources generally, the Company believed that diversifying into this industry would be a sound strategy for the Company's business development and entered into a subscription agreement in January 2008. As stated in the Company's composite offer document dated 20 March 2008 Ascent Goal Investment Limited ("Ascent Goal"), the controlling shareholder of the Company, will, among others, actively seek for investment opportunities in order to boarden and expand the business and operations of the Group, particularly in natural resources and/or PRC properties area.

Subsequent to the financial year ended 31 March 2008, the Company made its first step in opening the tremendous business opportunities in the oil industry by entering into a service agreement with China Sonangol International Limited ("**China Sonangol**"), the holding company of Ascent Goal, whereby the Group agreed to provide, among others, certain marketing analysis, news clipping, preparation of sales report, invoicing and preparation of management accounts services on oil trading to China Sonangol.

## **Financial Review**

### ***Turnover***

The Group recorded a turnover of approximately HK\$137,164,000 for the year ended 31 March 2008 (2007: HK\$173,405,000). It represents a decrease of approximately HK\$36,241,000 or 20.90% as compared with last year.

### ***Gross profit***

The gross profit of the Group for the year ended 31 March 2008 was decreased to approximately 8.76% (2007: 10.50%).

### ***Loss for the year***

Loss of the Group for the year ended 31 March 2008 significantly decreased 82.17% to approximately HK\$22,245,000 (2007: approximately HK\$124,795,000). This was mainly because no impairment loss in respect of intangible asset and goodwill was recognized, the allowance for doubtful debts of trade receivables was only amounted to approximately HK\$421,000 and HK\$5,421,000 for write down of inventories during the year.

## **Segment Information**

### ***Business segments***

The performance of each of the Group's business segments for the year ended 31 March 2008 are set out in note 4a to the financial statements and are summarized below:

#### ***(i) Clocks and Other Office Related Products***

This Division achieved a turnover of approximately HK\$129,940,000 in the year under review (2007: approximately HK\$134,612,000), it represents a reduction of approximately HK\$4,672,000 or 3.47% as compared with the same period last year.

This Division reported a segment trading loss of approximately HK\$11,485,000 for the year ended 31 March 2008 representing a decrease of approximately HK\$5,798,000 or 33.55% from last year of approximately HK\$17,283,000.

(ii) *Trading*

The Trading Division mainly engages in trading of metal in the PRC market. During the year review, the Group scaled down the business in view of the difficult operating environment. This Division reported a turnover of approximately HK\$7,160,000 and segment trading profit of approximately HK\$3,303,000 as compared with a turnover of approximately HK\$19,037,000 and a segment trading profit of HK\$292,000 in last year. The segment trading profit for this year included a write back of allowance for doubtful debts of trade receivable of HK\$3,249,000.

(iii) *Marketing of lighting products*

During the year ended 31 March 2008, the operation of marketing of energy saving lighting products was discontinued. This business segment reported a turnover of approximately HK\$64,000 (2007: approximately HK\$8,519,000) and segment loss of approximately HK\$1,440,000 (2007: approximately HK\$1,166,000).

***Geographical segments***

North America and Europe remained as the major geographical segments of the Group for the year ended 31 March 2008. Ratio analysis by geographical segments for the Group's turnover for the year ended 31 March 2008 is as follows :

	North		Europe		Hong Kong		PRC (other than Hong Kong)		Others	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	%	%	%	%	%	%	%	%
Segment turnover:										
to total turnover	<b>55.84</b>	43.26	<b>25.94</b>	31.20	<b>2.61</b>	1.69	<b>10.25</b>	19.17	<b>5.36</b>	4.68

## Liquidity and financial resources

As at 31 March 2008, the Group had :

- net current assets of approximately HK\$378,798,000 (2007: approximately HK\$34,227,000)
- bank balances and cash of approximately HK\$383,413,000 (2007: approximately HK\$1,857,000) which were the major components of the Group's current assets of approximately HK\$403,130,000 (2007: approximately HK\$67,898,000)
- obligations under finance leases which were due within one year of approximately HK\$3,000 (2007: approximately HK\$346,000)
- current liabilities of approximately HK\$24,332,000 (2007: approximately HK\$33,671,000) which were mainly composed of trade and other payables of approximately HK\$21,042,000 (2007: approximately HK\$22,942,000)
- obligations under finance leases which were due after one year of nil (2007: approximately HK\$106,000)
- bank borrowings of approximately HK\$2,984,000 (2007: approximately HK\$10,382,000)
- non-current liabilities of approximately HK\$145,237,000 (2007: approximately HK\$1,237,000) which were composed of convertible loan notes (liability component only) with carrying amount of approximately HK\$145,237,000 (2007: nil)

At 31 March 2008, all bank borrowings of the Group are floating rate borrowings. The bank borrowings carry interest at LIBOR plus 2.5% and Base Rate plus 2%.

As a result of the issue of the Convertible Bonds, the Group's gearing ratio was increased to approximately 62.02% (2007:0.2%). The computation is based on long-term borrowings of the Group divided by shareholder's equity before minority interests as at 31 March 2008.

### **Charges on group's assets**

As the financial year ended 31 March 2008, except for HK\$1,567,000 of trade receivables was pledged to secure the borrowing (2007: Nil), no leasehold land and buildings or investment properties of the Group were pledged to secure general banking facilities granted to the Group (2007: approximately HK\$13,725,000).

### **Significant investments and material acquisitions**

There were no significant investments or material acquisitions during the year ended 31 March 2008.

### **Discontinued operation**

During the year ended 31 March 2008, resulting from disposal and voluntary winding up of two of the major subsidiaries under the lighting products segment, the Group ceased the operation of marketing of energy saving lighting products.

### **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 unchanged.

### **Treasury policies**

The Group generally finances its operation with internal generated resources and banking and credit facilities provided by banks. All borrowings are denominated in Hong Kong dollars, the US dollars, and British pounds. Borrowing methods used by the Group mainly include 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 2008, the Group did not have any contingent liabilities (2007: Nil).



## **Employees**

As at 31 March 2008, the Group had 110 employees (2007: 114) spreading among Hong Kong, the PRC and Germany. 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**

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**

In the opinion of the directors of the Company (the "Directors"), the Company has during the year ended 31 March 2008 complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the following aspects:

1. For the sake of flexibility, the Board holds meeting whenever necessary. During the year under review, the Board held thirty one meetings which exceeded the minimum number of board meetings required under Code provision A.1.1.; and
2. 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 and subsequent to the resignation of Mr. Liang Jin You ("Mr. Liang") on 4 July 2007, no chairman was appointed.

Mr. Liang was the Chairman and Managing Director of the Company during the period from 1 April 2007 to 4 July 2007, who also carried out the responsibility of CEO in such period. Subsequent to the resignation of Mr. Liang, Mr. Leung Heung Ying, Alvin was appointed as the Managing Director of the Company with effect from 4 July 2007 who also carried out the responsibility of Chairman but the responsibility of CEO was shared and carried out by all the executive Directors.

Ms. Lo Fong Hung was appointed as the Chairperson and Managing Director of the Company with effect from 10 April 2008. The duties of CEO were carried out by Ms. Lo since then. 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 as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Save for Messrs. Deng Ju Neng, Chen Vee Yong, Frederick and Lee Sang Yoon, who are past executive Directors and have not given their confirmations, all the Directors during the year under review have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2008.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of three independent non-executive Directors, namely, Messrs. Wong Man Hin, Raymond, Lam Ka Wai, Graham and Chan Yiu Fai, Youdey. 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 2008.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company comprises four members, namely Messrs. Kwan Man Fai, Wong Man Hin, Raymond, Lam Ka Wai, Graham and Chan Yiu Fai, Youdey. The remuneration committee has adopted terms of the reference, which are in line with the Code.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.artfield.com.hk](http://www.artfield.com.hk). The annual report of the Company for the year ended 31 March 2008 containing all information required by the Listing Rules will be despatched to shareholders and published on above websites in due course.

By Order of the Board  
**Artfield Group Limited**  
**Kwan Man Fai**  
*Executive Director*

Hong Kong, 28 July 2008

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